Helen of Troy®

2003

Annual Report

Sea Breeze · Helen of Troy Professional · REVLON
VIDAL SASSOON · HOT TOOLS PROFESSIONAL · Dr Scholl's
wigo · condition 3-in-1 · isobel
Sunbeam · KARINA · Vitalis
HOT SPA by Helen of Troy · Dazey · Mane Newman
caruso · AMMENS · wave RAGE
final NET · dcnl · Vitapointe
SALON EDITION · SABLE · Gallery Series

Company Profile

Helen of Troy Limited (NASDAQ:HELE) has established a leadership position in the personal care products market through new product innovation, superior product quality and competitive pricing. The Company designs, produces, and markets brand-name personal care electrical products including hair dryers, curling irons, hairsetters, hot air brushes, home hair clippers, and paraffin baths, as well as comfort products such as foot baths and body massagers. The Company also produces and markets non-electrical products, including brushes, combs, hair accessories, mirrors, liquid hair styling products, body powder and skin care products. The Company's products are sold primarily through mass merchandisers, drug chains, warehouse clubs, and grocery stores. Additionally, through our affiliation with Tactica International, Inc., products are also marketed through direct response marketing and through retail channels.

Company growth strategy is facilitated by our sales of products under trade names respected throughout the global market. Helen of Troy is licensed to sell products under the trade names of Vidal Sassoon, Revlon®, Dr. Scholl's®, Sunbeam®, Sea Breeze®, and Vitapointe®. Helen of Troy's owned trade names include Dazey®, Caruso®, Karina®, dcnl™, Nandi ™, Isobel™, Wave Rage®, Vitalis®, Final Net®, Ammens®, and Condition 3-in-1®. The Company also markets hair and beauty care products under the Helen of Troy®, Hot Tools®, Hot Spa®, Salon Edition®, Gallery Series®, Wigo® and Ecstasy® trademarks to the professional beauty salon industry.

Helen of Troy's U.S. operations are headquartered in El Paso, Texas, with offices and warehouse facilities around the world.

Dear Shareholders:

We are very pleased to report that Helen of Troy delivered outstanding performance again in fiscal year 2003. Net income climbed to a record $38.7 million versus $29.2 million in fiscal 2002, representing a 33 percent gain in net income. Earnings per share were $1.31 in fiscal year 2003 versus $1.00 per diluted share last year, a 31 percent increase in earnings per share. Sales increased 2.6 percent to a record $458.8 million from $447.3 million in fiscal 2002.

Our balance sheet remains strong, with year end cash of $48 million, shareholders' equity of $290 million, accounts receivable of $62 million and inventory of $112 million. We used approximately $67 million of internally generated cash during the year for purchases of fixed assets, royalty prepayments, the purchase of warehouse facilities in Mississippi and the acquisition of six consumer brands from The Procter & Gamble Company. All of these transactions were entered into with the goals of reducing SG&A expenses and growing our business.

Helen of Troy's leadership position in the personal care market is the result of a combination of highly-recognized, world-class consumer brands and a tried and true approach to product innovation. Executing our proven sales and marketing strategies, we introduced more than 70 new products at the 2003 International Housewares Show in Chicago. Representing the foundation of our new product introductions for fiscal 2004 are our Ceramic and Ion technologies. Available under both the Vidal Sassoon and Revlon® trade names are a wide variety of ceramic curling irons, straighteners and hairsetters. These new products are designed to meet our consumers' desires to create a wider variety of silky, healthier-looking styles without frizz, and without damaging their hair.

Building on the success of our Ion Technology available under the Vidal Sassoon and Revlon® brands, Helen of Troy has applied this technology to new categories under the Dr. Scholl's® brand name. Our Dr. Scholl's® Ionic Rejuvenator™ foot massager utilizes cool, ionized air and tapping massage motions to help refresh and revitalize tired feet. Under the Revlon Spa category, Helen of Troy has introduced an Ionic Hot and Cold Mist Facial Sauna which helps to close and reduce the appearance of pores. The Revlon Spa line also includes a variety of shower brushes, massagers and waxing systems for hair removal.

By allowing our consumer's needs to drive our innovation, we are producing state-of-the art products for our consumer. Our new products boast cutting-edge technology which includes features from our most sought after professional appliances, incorporating them into easy to use products designed for use in the comfort of your own home.

Our principal focus in the coming year is continuing to build profitable market share. We plan to use our strong financial position to expand our existing operations

and take advantage of any appropriate growth opportunities that match our culture and corporate strengths. In October of 2002, Helen of Troy obtained through acquisition and licensing agreements six well known consumer brands. The acquisition of the Condition 3-in-1®, Final Net®, Vitalis®, Ammens®, Sea Breeze® and Vitapointe® trade names prompted the creation of a new skin and hair care division, Idelle Labs. In January of this year, we welcomed a new management team to the Helen of Troy family to oversee the operations of Idelle Labs, and we are confident that their expertise and abilities will serve to enhance the overall success of our Company.

Also during the year the Company finalized a long term licensing agreement with The Procter & Gamble Company for the world recognized Vidal Sassoon trade name. This agreement, including renewal options, extends the license for up to thirty years. For more than forty years, the Vidal Sassoon name has been synonymous with elegance, style, beauty and glamour and we are honored to continue the Vidal Sassoon trade name on personal care products that consumers the world over have come to trust.

In January of 2003, the Company completed the purchase of a 619,000 square foot distribution facility in Southaven, Mississippi. The purchase of this warehousing facility is expected to yield both operational efficiencies and cost savings for our future growth.

Responding to the increasingly competitive global business environment, Helen of Troy recently concluded a thorough assessment of our existing information systems and internal operations to identify opportunities for improvement. After careful consideration and extensive research, your management team has selected Oracle 11i as the Company's Enterprise Resource Planning (ERP) System to help meet future business objectives and facilitate future growth. The system is expected to be fully operational by June of 2004.

For the second time in the past few years, Helen of Troy has received the prestigious honor of being named to "Forbes Magazine's 200 Best Small Companies in America". The list ranks the nation's top 200 publicly traded companies with annual sales of less than $600 million, through the measurements of superior sales growth, return on equity, and earnings per share. We are proud to have received this premier designation.

In May of this year, Christopher Carameros, who had served as a dedicated member of the Company's Board of Directors for ten years, was appointed Executive Vice President and has joined the Helen of Troy management team. As Executive Vice President, Chris will oversee the Company's Finance and Credit division, the Company's International Sales function, the Brush, Comb and Accessory division, as well as the newly established Idelle Labs division.

As I reflect upon the many exciting events of this past year, I am reminded that each of our successes is the culmination of the tireless efforts of so many people. I want to express my gratitude to our loyal and dedicated employees worldwide who share a common set of corporate goals, and are committed to building our brands, our products and our Company. It is truly a privilege for me to work with so many talented individuals.

For the coming year, Helen of Troy is energized and focused upon our goal of delivering superior shareholder value over the long term. To this end, we will continue to work diligently to become a more efficient and increasingly competitive organization. Thank you for your continued confidence in our Company.

Gerald J. Rubin
Chairman, Chief Executive Officer and President

Financial Highlights

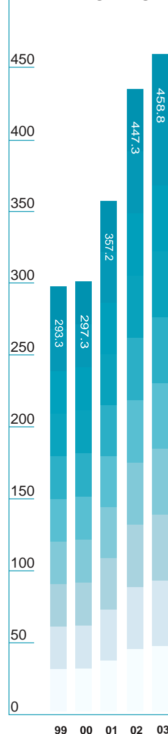
Twelve Months Ended Last Day of February
(in thousands, except per share amounts)

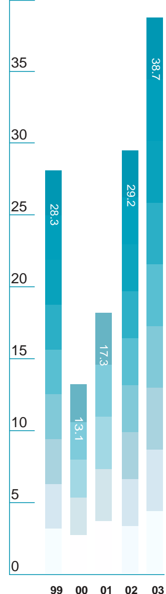
	2003	2002	2001	2000	1999
	(1)	(1)	(1)		
Net sales (2)	$458,825	$447,319	$357,164	$297,257	$293,363
Operating income	52,859	41,657	22,996	9,801	36,714
Net earnings	38,716	29,215	17,332	13,111	28,330
Diluted income per share	1.31	1.00	0.60	0.44	0.96
Working capital	173,809	191,438	157,809	154,395	150,940
Total assets	405,629	357,558	337,181	304,252	294,036
Long-term debt	55,000	55,000	55,000	55,000	55,450
Stockholders' equity (3)	289,602	250,326	219,609	209,624	199,842

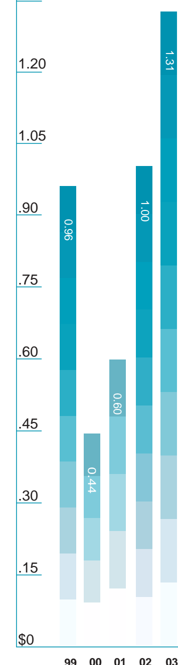
(1) Fiscal 2003, 2002 and 2001 results include 100 percent of the results of Tactica, a subsidiary in which the Company acquired a 55 percent interest in March 2000.

(2) We adopted Emerging Issues Task Force Abstract 01-9 ("EITF 01-9") for fiscal 2003. EITF 01-9 requires that certain vendors record certain consideration given to customers as reductions of sales, rather than as selling, general, and administrative expenses. Certain items that, prior to fiscal 2003, were classified as selling, general, and administrative expenses have been reclassified as reductions to net sales. Those items totaled $3,930,000 for fiscal 2002, $4,234,000 for fiscal 2001, $2,256,000 for fiscal 2000, and $1,124,000 for fiscal 1999.

(3) In fiscal 2000 the Company repurchased 526,485 shares of common stock at a cost of $4,076,000. In fiscal 2001, the Company repurchased 815,946 shares of common stock at a cost of $4,623,000. No Common Stock was repurchased in any other year presented above.







Stock Prices

	High	Low
Fiscal 2003		
First quarter	$15.00	$11.65
Second quarter	14.17	11.20
Third quarter	12.05	8.20
Fourth quarter	14.58	10.21
Fiscal 2002		
First quarter	$9.42	$5.16
Second quarter	14.80	7.75
Third quarter	13.20	7.99
Fourth quarter	15.79	10.26

Stock Traded Over the Counter
National NASDAQ Symbol HELE

Registrar, Transfer Agent and Dividend Disbursing Agent
Computershare Investor Service, LLC
2 North La Salle Street
Chicago, Illinois 60602

The Annual Meeting of Shareholders
The Annual Meeting of Shareholders will be held on August 26, 2003, at one o'clock p.m. at the Camino Real Hotel, 101 South El Paso Street, El Paso, Texas 79901.

Form 10-K
A copy of the company's annual report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished to any stockholder free of charge on request to the Chief Financial Officer or Secretary of the Company.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 28, 2003

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

Commission file number 001-14669

HELEN OF TROY LIMITED
(Exact name of the registrant as specified in its charter)

BERMUDA	74-2692550
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

CLARENDON HOUSE
CHURCH STREET
HAMILTON, BERMUDA
(Address of principal executive offices)

1 HELEN OF TROY PLAZA
EL PASO, TEXAS 79912
(Registrant's United States Mailing Address) (Zip Code)

Registrant's telephone number, including area code: (915) 225-8000

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK - $.10 PAR VALUE
(Title of Class)

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as the last day of the registrant's most recently completed second quarter was $307,175,162.

As of May 28, 2003 there were 28,220,445 shares of Common Stock, $.10 Par Value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the Company's definitive proxy statement, which is to be filed under the Securities Exchange Act of 1934 within 120 days of the end of the Company's fiscal year on February 28, 2003, are incorporated by reference into Part III hereof. Except for those portions specifically incorporated by reference herein, such document shall not be deemed to be filed with the Securities and Exchange Commission as part of this Form 10-K.

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PART I

ITEM 1. BUSINESS

GENERAL

Unless the context requires otherwise, references to "the Company," to "our Company," or to "Helen of Troy" and references such as "we" and "us" refer to Helen of Troy Limited and its subsidiaries. Our Company is comprised of three operating segments. The North American segment sells hair care and other personal care products in the U.S. and Canada. The International segment sells the same products outside the U.S. and Canada. Our third segment, Tactica, sells personal care and other consumer products to retailers and uses direct response marketing to sell such products directly to consumers. The section of Item 1 entitled "Products" contains more detailed information about the products that we sell. We present financial information for each of our operating segments in Note (11) of the Consolidated Financial Statements. The matters discussed in Item 1 pertain to all three of our operating segments, unless otherwise specified.

We use outside manufacturers to produce our goods. We sell our products to mass merchandisers, drug chains, warehouse clubs, grocery stores, beauty supply retailers and wholesalers, as well as to individual consumers in the U.S. and other countries.

We sell some of our products under licenses from third parties. Our licensed trademarks include Vidal Sassoon(R), licensed from The Procter & Gamble Company; Revlon(R), licensed from Revlon Consumer Products Corporation; Dr. Scholl's(R), licensed from Schering-Plough HealthCare Products, Inc.; Scholl(R) (in areas other than North America), licensed from Scholl Limited; Sunbeam(R), and Sunbeam Health at Home(R), licensed from American Household, Inc; Sea Breeze(R), licensed from Shisheido Corporation; and Vitapointe(R), licensed from Fizons Corporation. We also own a number of trademarks, including Helen of Troy(R), Salon Edition(R), Hot Tools(R), Ecstasy(TM), Gold Series(R), Hotspa(R), Gallery Series(R), Wigo(R), Caruso(TM), Dazey(R), Lady Dazey(R), Carel(R), Lady Carel(R), Sable(R), Karina(R), Karina Girl(TM), Kurl*Mi(R), Detangle*Mi(R), Heat*Mi(R), DCNL(R), DCNL Signature(TM), Nandi(TM), Isobel(TM), Vitalis(R), Final Net(R), Ammens(R), Condition 3-in-1(R), IGIA(R), and Epil-Stop(R).

We were incorporated as Helen of Troy Corporation in Texas in 1968 and reincorporated as Helen of Troy Limited in Bermuda in 1994.

PRODUCTS

The business of Helen of Troy's North American and International segments is designing, developing and selling a full line of personal care and comfort products. The following table lists the primary products that the North American and International segments sell and some of the brand names that appear on those products.

PRODUCTS	BRAND NAMES
Hand-held hair dryers	Vidal Sassoon(R), Revlon(R), Sunbeam(R), Helen of Troy(R), Salon Edition(R), Hot Tools(R), Ecstasy(TM), Gold Series(R), Gallery Series(R), Wigo(R), and Sable(R)
Curling irons, straightening irons, hot air brushes and brush irons	Vidal Sassoon(R), Revlon(R), Sunbeam(R), Helen of Troy(R), Salon Edition(R), Hot Tools(R), Gold Series(R), Gallery Series(R) Ecstasy(TM), Wigo(R), and Sable(R).
Hairsetters	Vidal Sassoon(R), Revlon(R) and Caruso(TM)
Paraffin baths, facial brushes, and facial saunas, and other skin care appliances	Revlon(R), Hotspa(R), Sunbeam(R)
Foot baths	Dr. Scholl's(R), Scholl(R), Revlon(R), Carel(R), and Hotspa(R)
Foot massagers, hydro massagers, cushion massagers and body massagers	Dr. Scholl's(R), Scholl(R), Carel(R) and Hotspa(R)
Hair clippers and trimmers	Vidal Sassoon(R) and Sunbeam(R)
Hard and soft-bonnet hair dryers	Dazey(R), Lady Dazey(R), Carel(R) and Hot Tools(R)
Hair styling and utility implements	Vidal Sassoon(R), Revlon(R), Wave Rage(TM), Nandi(TM), DCNL(R), and Ecstasy(TM)
Decorative hair accessories	Vidal Sassoon(R), Karina(R), Karina Girl(TM), HOT things(TM), isobel(TM), DCNL(R), and DCNL Signature(TM)
Liquid hair styling products	Vitalis(R), Final Net(R), Condition 3-in-1(R), and Vitapointe(R)
Liquid skin care products	Sea Breeze(R)
Medicated skin care powder	Ammens(R)

We own 55 percent of Tactica International, Inc. ("Tactica"). Tactica's net sales comprised approximately 17 percent, 24 percent and five percent of the Company's consolidated net sales in fiscal 2003, 2002 and 2001, respectively. Tactica designs, develops and sells a variety of personal care and other consumer products in categories such as hair care, hair removal, dental care, skin care, sports and exercise, household, and kitchen. Tactica sells these products, primarily under the IGIA(R) and Epil-Stop(R) trademarks, to retailers and uses direct response marketing to sell such products directly to consumers. Some of the products developed and marketed by Tactica are trend-oriented and have shorter product lives than Helen of Troy's other products.

We continue to develop new products and enhance existing products in order to maintain and improve our position in the personal care and comfort product market. For example, during fiscal 2003 we improved existing products by adding new technologies to them. Examples include ionic hair care appliances and ceramic hair care appliances. We plan to extend our line of ceramic hair care appliances during fiscal 2004. During fiscal 2003, we also extended our line of hair care appliances that incorporate ionic technology.

Our fiscal 2003 acquisition from The Procter & Gamble Company of the rights and formulas associated with six hair and skin care brand names augmented our internal product development efforts. Under the terms of an October 2002 transaction, we acquired ownership of the Vitalis(R), Condition 3-in-1(R), Final Net(R), and Ammens(R) trade names. Additionally, we acquired the rights under long-term license agreements to sell products using the Sea Breeze(R) and Vitapointe(R) trademarks. Currently, we are selling hair care and styling liquids under the Vitalis(R), Condition 3-in-1(R), Final Net(R), and Vitapointe(R) trademarks; skin care liquid, in the form of an astringent, under the Sea Breeze(R) trademark; and mediated skin care powder under the Ammens(R) name.

You can learn more about our products at the following Internet addresses:
http://www.helenoftroyusa.com
http://www.igia.com

SALES AND MARKETING

We market our products primarily within the U.S. Sales within the U.S. comprised 90 percent of total net sales in fiscal 2003, 91 percent of net sales in fiscal 2002, and 89 percent of net sales in fiscal 2001. Our North American and International operating segments sell their products primarily through mass merchandisers, drug chains, warehouse clubs, catalogs, grocery stores and beauty supply retailers and wholesalers. Both of these segments market our products through outside sales representatives and through our own sales staff. Tactica sells directly to retailers and distributors and uses direct consumer marketing, such as direct response and catalog advertising to sell its products to consumers.

The companies from whom we license many of our brand names promote those names extensively. Revlon Consumer Products Corporation engages in national advertising of its beauty care products. The Vidal Sassoon(R), Dr. Scholl's(R) and Sunbeam(R) trademarks are widely recognized because of advertising and the sale of a variety of products. We benefit from the name recognition associated with a number of our licensed trademarks and seek to further improve the name recognition and perceived quality of all the trademarks under which we sell products through our own advertising and product development efforts. We also promote our products through television advertising and through print media, including consumer and trade magazines and various industry trade shows.

MANUFACTURING AND DISTRIBUTION

We contract with unaffiliated manufacturers in the Far East, primarily in the Peoples' Republic of China, Thailand, Taiwan, and South Korea, to manufacture most of the hair and personal care appliances and hair brushes, combs, and hair care accessories sold by our North American and International segments (see discussion of International Manufacturing and Operations in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Risk Factors"). For fiscal 2003, goods manufactured by vendors in the Far East comprised approximately 95 percent of the dollar value of the North American and International segments' inventory purchases and approximately 58 percent of the Tactica segment's inventory purchases. We purchase the remainder of our products from unaffiliated manufacturers, primarily in North America and Europe. The manufacturers who produce our products use formulas, molds, and certain other tooling, some of which we own, in manufacturing those products. The North American and International segments employ numerous technical and quality control persons to assure high product quality.

Our products that are manufactured in the Far East and sold in North America are shipped to the West Coast of the U.S. and the West Coast of Canada. The products are then shipped by truck or rail service to warehouse facilities in El Paso, Texas; Southaven, Mississippi; Toronto, Canada; and Vancouver, Canada, or directly to customers. We ship substantially all products to North American customers from these warehouses by ground transportation services. Products sold by the International segment outside the U.S. and Canada are shipped from manufacturers, primarily in the Far East, to warehouse facilities in The Netherlands, the United Kingdom, Brazil, or directly to customers. We ship products stored at the warehouses in The Netherlands, the United Kingdom, and Brazil to distributors or retailers.

Our customers in both the North American and International segments seek to minimize their inventory levels and often demand that we fulfill their orders within relatively short time frames. Consequently, these inventory management practices often require us to carry substantial levels of inventory in order to meet our customers' needs.

Tactica also contracts with unaffiliated manufacturers both within and outside the U.S. to manufacture its products. Tactica's products are shipped toa warehouse facility in Reno, Nevada for shipment to individuals or retail customers. Tactica also sometimes ships products from manufacturers directly to retailers. When selling to retail customers, Tactica often faces the same challenges as do our other two segments with regard to retailers' inventory management practices.

Most of our three segments' products manufactured outside the countries in which they are sold are subject to import duties, which have the effect of increasing the amount we pay to obtain such products.

LICENSE AGREEMENTS, TRADEMARKS, AND PATENTS

Our North American and International operating segments depend materially upon the continued use of trademarks licensed under various agreements. The Vidal Sassoon(R) and Revlon(R) trademarks are of particular importance. New product introductions under licensed trademarks require approval from the respective licensors. The licensors also must approve the product packaging. Many of the license agreements require the Company to pay minimum royalties, meet minimum sales volumes, and make minimum levels of advertising expenditures. The duration of the license agreements for the Revlon(R) and Vidal Sassoon(R) trademarks, including the renewal terms, exceeds ten years. Upon expiration of the current terms of these agreements, we have the right to extend their terms upon payment of a renewal fee.

The discussion below covers the primary product categories that Helen of Troy currently sells under its major license agreements. The product categories discussed do not necessarily include all of the products that Helen of Troy is entitled to sell under these or other license agreements.

Under an agreement with The Procter & Gamble Company, Helen of Troy is licensed to sell certain products bearing the Vidal Sassoon(R) trademark worldwide, except in Asia. Products sold under the terms of this license include hair dryers, curling irons, straightening irons, styling irons, hairsetters, hot air brushes, hair clippers and hair trimmers, mirrors, brushes, combs, and hair care accessories.

Under agreements with Revlon Consumer Products Corporation, we are licensed to sell, worldwide, except in Mexico and Western Europe, hair dryers, curling irons, straightening irons, brush irons, hairsetters, brushes, combs, mirrors, functional hair accessories, personal spa products, hair clippers and trimmers, and battery-operated and electric women's shavers bearing the Revlon(R) trademark.

We are licensed to sell foot baths, foot massagers, hydro massagers, cushion massagers, body massagers, paraffin baths, and support pillows bearing the Dr. Scholl's(R) trademark in the U.S. and Canada, under an agreement with Schering-Plough HealthCare Products, Inc. We also are licensed to sell the same products under the Scholl(R) trademark in other areas of the world through an agreement with Scholl Limited.

Under an agreement with American Household, Inc. we are licensed to sell hair clippers, hair trimmers, hair dryers, curling irons, hairsetters, hot air brushes, mirrors, manicure kits, hair brushes and combs, hair rollers, hair accessories, paraffin baths, and spa products bearing the Sunbeam(R) and Sunbeam Health at Home(R) trademarks in the U.S., Canada, Mexico, Central America, South America, and the Caribbean.

In October 2002, we acquired from The Procter & Gamble Company the right to sell products under the trademark Sea Breeze(R) pursuant to a perpetual license from Shisheido Corporation. We currently sell a line of liquid skin care products under the Sea Breeze(R) name.

Helen of Troy has filed or obtained licenses for design and utility patents in the U.S. and several foreign countries. The Company does not believe that the loss of any particular patent or patent license would have a materially adverse effect on its business.

RELIANCE ON ONE CUSTOMER

Sales to Wal-Mart Stores, Inc., and its affiliate, SAM'S Club, accounted for approximately 24 percent, 22 percent, and 23 percent of our net sales in fiscal 2003, 2002, and 2001, respectively. No other customer accounted for ten percent or more of net sales during those fiscal years.

ORDER BACKLOG

When placing orders, our retail and wholesale customers usually request that we ship the related products within specific time frames. Our Tactica segment ships some of its products to direct response customers and provides these customers with estimated delivery dates at the time that it receives their respective orders. There was no significant backlog of orders in any of our distribution channels at February 28, 2003.

COMPETITIVE CONDITIONS

The markets in which we sell our products are very competitive. Maintaining and gaining market share depends heavily on product development and enhancement, pricing, quality, performance, packaging and availability, brand name recognition, patents, and marketing and distribution approaches. Our primary competitors include The Conair Corporation, Applica Incorporated, Remington Products Company, Goody Products, Inc., a division of Newell Rubbermaid Inc., Homedics-USA, Inc., The New L & N Marketing and Sales Corporation, Chattem, J&J Boots, Andrew Jergens, Loreal, Unilever, and Alberto Culver. Some of these competitors have significantly greater financial and other resources than we do.

SEASONALITY

The Company's business is somewhat seasonal. Net sales in the Company's fiscal second and third quarters, combined, accounted for approximately 55 percent of fiscal 2003 net sales and for approximately 57 percent of fiscal 2002 and 2001 net sales. As a result of the seasonality of sales, our working capital needs fluctuate during the year.

REGULATION

Our electrical products must meet the safety standards imposed in various national, state, local, and provincial jurisdictions. Our electrical products sold in the U.S. are designed, manufactured, and tested to meet the safety standards of Underwriters Laboratories, Inc. or Electronic Testing Laboratories.

The medicated skin powder that we sell under the Ammens(R) trademark is regulated by the United States Food and Drug Administration.

EMPLOYEES

We employ 672 full-time employees in the U.S., Hong Kong, and Europe, of which 238 are marketing and sales employees, 159 are distribution employees, 55 are engineering and development employees, and 220 are administrative personnel. Included in these totals are 76 employees of Tactica. Tactica employs 57 administrative and 19 sales and marketing personnel. None of the Company's employees are covered by a collective bargaining agreement. We have never experienced a work stoppage and we believe that we have satisfactory working relations with our employees.

GEOGRAPHIC INFORMATION

Note (11) to the Consolidated Financial Statements contains geographic information concerning our net sales and long-lived assets.

SECURITIES EXCHANGE ACT REPORTS

We maintain an Internet site at the following address: http://www.helenoftroyusa.com. We make available on or through our Internet website certain reports and amendments to those reports that we file with or furnish to the Securities and Exchange Commission (the "SEC") in accordance with the Securities Exchange Act of 1934 (the "Securities Exchange Act"). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. The public may read and copy any of the materials we file with the SEC in accordance with the Securities Exchange Act at the SEC's Public Reference Room at 450 Fifth Street, N.W. Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0300. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information about our Company. The address of the SEC's Internet site is http://www.sec.gov.

ITEM 2. PROPERTIES

PLANT AND FACILITIES

North American Segment. We own a 135,000 square foot office building and a 408,000 square foot warehouse in El Paso, Texas. The office building houses our U.S. operations. The El Paso office building and warehouse are located on a 50-acre plot of land that we own. We also own a 619,000 square foot warehouse in Southaven, Mississippi, as well as the 29-acre plot of land on which that warehouse is located. We purchased the Southaven warehouse in January 2003. It became fully operational during May 2003. We lease 108,000 square feet of warehouse space in El Paso, Texas; 50,000 square feet of warehouse space in Toronto, Canada; and 20,000 square feet of warehouse space in Vancouver, Canada. During fiscal 2003 we also leased 360,000 square feet of warehouse space in Memphis, Tennessee. Our lease in Memphis terminated upon the Southaven warehouse becoming fully operational. We also lease sales offices in Bentonville, Arkansas, Minneapolis Minnesota, Troy Michigan, and Toronto, Canada.

We own 22 acres of land in El Paso, Texas, near the 50 acres on which the warehouse and the U.S. office building that we own are located. The Company is holding this land for future business use.

International Segment. We lease warehouse space in public warehouses located in Hong Kong; The Netherlands, and the United Kingdom. In addition, we also lease sales offices in the United Kingdom, France, Germany, and Brazil.

Tactica. Tactica leases administrative offices in New York, New York and leases public warehouse space in Reno, Nevada.

Corporate. A subsidiary located in Hong Kong leases approximately 23,000 square feet of office space. Prior to fiscal 1996 this subsidiary was headquartered in approximately 12,000 square feet of office space that the Company still owns.

We also own 12,000 square feet of warehouse space on a 62,000 square foot lot adjacent to the building that formerly housed our U.S. operations. We are holding this property for sale.

ITEM 3. LEGAL PROCEEDINGS

The Hong Kong Inland Revenue Department (the "IRD") has assessed $6,753,000 in tax on certain profits of our foreign subsidiaries for the fiscal years 1995 through 1997. Hong Kong taxes income earned from certain activities conducted in Hong Kong. We are vigorously defending our position that we conducted the activities that produced the profits in question outside of Hong Kong and that we have complied with all applicable reporting and tax payment obligations. If the IRD's position were to prevail and if it were to assert the same position for years after fiscal 1997, the resulting assessment could total $34,101,000 (U.S.) for the period from fiscal 1995 through fiscal 2003.

In connection with the IRD's tax assessment for the fiscal years 1995 through 1997, we were required to purchase $3,282,000 (U.S.) in tax reserve certificates in Hong Kong, which represented approximately 49 percent of the liability assessed by the IRD. Tax reserve certificates represent the prepayment by a taxpayer of potential tax liabilities. The amounts paid for tax reserve certificates are refundable in the event that the value of the tax reserve certificates exceeds the related tax liability. These certificates are included on our Consolidated Balance Sheets as of February 28, 2003 and 2002 on the line entitled "Other assets." The tax reserve certificates are denominated in Hong Kong dollars and are, therefore, subject to the risks associated with foreign currency fluctuations.

The IRD also assessed $4,468,000 in tax on certain profits of our foreign subsidiaries for the fiscal years 1990 through 1994. During the second quarter of the fiscal year ended February 28, 2003, we and the IRD settled our dispute related to those years for $2,505,000 (56 percent of the assessed amount), plus interest of approximately $100,000. As a result of the assessment, we forfeited tax reserve certificates previously valued at $2,468,000 on our Consolidated Balance Sheet and paid approximately $137,000 in cash to the IRD. The tax reserve certificates that we forfeited were included on our Consolidated Balance Sheet as of February 28, 2002 on the line entitled "Other assets." The settlement did not affect the current status of the IRD's assessments for fiscal years 1995 through 1997 and did not have a material effect on our consolidated results of operations.

Although the ultimate resolution of the IRD's claims cannot be predicted with certainty, we believe that we have made adequate provision in the financial statements for the resolution of the IRD's claims and potential future assessments relating to activity since fiscal 1997. Such provision appears on our Consolidated Balance Sheets as of February 28, 2003 and 2002 on the line entitled "Income taxes payable."

In the fourth quarter of the fiscal year ended February 28, 2001, the Company recorded a $2,457,000 charge for the remaining unamortized costs under a distribution agreement (which was later formally terminated) with The Schawbel Corporation ("Schawbel"), the supplier of the Company's butane hair care products. In a related matter, in September 1999, Schawbel commenced litigation in the U.S. District Court for the District of Massachusetts against The Conair Corporation ("Conair"), the predecessor distributor for Schawbel's butane products. In its action, amended in June 2000, Schawbel alleged, among other things, that Conair, following Schawbel's termination of the Conair distribution agreement, stockpiled and sold Schawbel product beyond the 120 day "sell-off" period afforded under the agreement, and manufactured, marketed and sold its own line of butane products which infringed patents held by Schawbel. In November 2000, the Massachusetts court granted Schawbel its request for preliminary injunction, and ordered that Conair cease selling all allegedly infringing products. The Company intervened as a plaintiff in the action to assert claims against Conair similar to the claims raised by Schawbel. The Company is seeking to recover damages in excess of $10 million, arising from the Company's inability to meet minimum purchase requirements under its distribution agreement with Schawbel and the subsequent termination of that agreement by Schawbel. Conair responded by filing a counterclaim alleging that the Company conspired with Schawbel to unlawfully terminate Conair's distribution agreement with Schawbel, and to disparage Conair's reputation in the industry. The counterclaim seeks $15 million in damages. Although the ultimate outcome of the matter cannot be predicted, the Company contends that Conair's counterclaims lack validity. The Company intends to pursue vigorously its claims and defense in the litigation.

The Company is involved in various other legal claims and proceedings in the normal course of operations. In the opinion of management, the outcome of these matters will not have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2003.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

Our Common Stock is listed on the NASDAQ National Market System {symbol: HELE}. The following table sets forth, for the periods indicated, in dollars per share, the high and low bid prices of the Common Stock as reported on the NASDAQ National Market System. These quotations reflect the inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
Fiscal 2003		
First quarter	15.00	11.65
Second quarter	14.17	11.20
Third quarter	12.05	8.20
Fourth quarter	14.58	10.21
Fiscal 2002		
First quarter	9.42	5.16
Second quarter	14.80	7.75
Third quarter	13.20	7.99
Fourth quarter	15.79	10.26

APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

We have one class of equity security outstanding at February 28, 2003; Common Stock with a par value of $0.10. As of April 30, 2003 there were 404 holders of record of the Company's Common Stock. Shares held in "nominee" or "street" name at each bank nominee or brokerage house are included in the number of shareholders of record as a single shareholder. We estimate that approximately 14,000 individuals and institutions hold our Common Stock.

CASH DIVIDENDS

The Board of Directors' current policy is to retain earnings to provide funds for the operation and expansion of the Company's business and for potential acquisitions. The Company has not paid any cash dividends on its Common Stock since inception. The Company's current intention is to pay no cash dividends in fiscal 2004. Any change in dividend policy will depend upon future conditions, including earnings and financial condition, general business conditions, any applicable contractual limitations, and other factors deemed relevant by the Board of Directors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

	Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants, And Rights (a)	Weighted-Average Exercise Price Of Outstanding Options, Warrants, And Rights (b)	Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a)) (c)
Equity Compensation Plans Approved By Security Holders	8,614,738	$ 10.83	1,769,226
Equity Compensation Plans Not Approved By Security Holders	—	—	—
Total	8,614,738	$ 10.83	1,769,226

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial information set forth below has been summarized from the Company's Consolidated Financial Statements. This information should be read in conjunction with the Consolidated Financial Statements and the related Notes to Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data." All currency amounts in this document are denominated in U.S. dollars.

For the year ended the last day of February,
(all numbers except shares and earnings per share in thousands)

	2003(1)	2002(1)	2001(1)	2000	1999
Statements of Income Data					
Net Sales (2)	**$ 458,825**	$ 447,319	$ 357,164	$ 297,257	$ 293,363
Cost of sales	**247,794**	238,859	220,530	185,685(4)	175,293
Gross Profit	**211,031**	208,460	136,634	111,572	118,070
Selling, general and administrative expenses (2)	**158,172**	166,803	113,638(3)	101,771(4)	81,356
Operating income	**52,859**	41,657	22,996	9,801	36,714
Interest expense	**(3,965)**	(4,256)	(3,989)	(3,530)	(3,337)
Other income (5)	**1,852**	1,146	1,883	6,826	2,036
Earnings before income taxes	**50,746**	38,547	20,890	13,097	35,413
Income tax expense (benefit)	**12,030**	9,332	3,558	(14)	7,083
Net earnings	**$ 38,716**	$ 29,215	$ 17,332	$ 13,111	$ 28,330
Per Share Data					
Basic	**$ 1.37**	$ 1.04	$ .61	$ .45	$ 1.00
Diluted	**$ 1.31**	$ 1.00	$ .60	$ .44	$ .96
Weighted average number of Common shares outstanding:					
Basic	**28,189**	28,089	28,420	29,053	28,279
Diluted	**29,548**	29,199	28,729	29,885	29,596

ITEM 6. SELECTED FINANCIAL DATA - CONTINUED

Last Day of February
(in thousands)

	2003	2002	2001	2000	1999
Balance Sheet Data:					
Working capital	$173,809	$191,438	$157,809	$154,395	$150,940
Total assets	405,629	357,558	337,181	304,252	294,036
Long-term debt	55,000	55,000	55,000	55,000	55,450
Stockholders' equity	289,602	250,326	219,609	209,624	199,842
Cash dividends	--	--	--	--	--

(1) Fiscal 2003, 2002 and 2001 results include 100 percent of the results of Tactica, a subsidiary in which the Company acquired a 55 percent interest in March 2000. See "Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a further explanation of this accounting policy.

(2) We adopted Emerging Issues Task Force Abstract 01-9 ("EITF 01-9") for fiscal 2003. EITF 01-9 requires that certain vendors record certain consideration given to customers as reductions of sales, rather than as selling, general, and administrative expenses. Certain items that, prior to fiscal 2003, were classified as selling, general, and administrative expenses have been reclassified as reductions to net sales. Those items totaled $3,930,000 for fiscal 2002, $4,234,000 for fiscal 2001, $2,256,000 for fiscal 2000, and $1,124,000 for fiscal 1999.

(3) In fiscal 2001, the Company recorded a $2,457,000 charge for the remaining unamortized costs under a distribution agreement, which was later formally terminated.

(4) In fiscal 2000, the Company incurred $2,669,000 of charges to cost of goods sold and $8,725,000 of charges to selling, general and administrative expenses as a result of the discontinuance of its artificial nails product line. In fiscal 2000 the Company also incurred $770,000 of charges related to the restructuring and reorganization of several departments.

(5) Other income includes gains of approximately $75,000 in fiscal 2003, $165,000 in fiscal 2002, $1,400,000 in fiscal 2001 and $6,300,000 in fiscal 2000 from the sale and appreciation of trading securities.

(6) In fiscal 2000 the Company repurchased 526,485 shares of its Common Stock at a cost of $4,076,000. In fiscal 2001, the Company repurchased 815,946 shares of its Common Stock at a cost of $4,623,000. No Common Stock was repurchased in any other year presented above.

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

This discussion contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Information Relating to Forward Looking Statements" and in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

Results Of Operations

The following table sets forth, for the periods indicated, selected consolidated operating data for the Company as a percentage of net sales.

	Relationship to Net Sales Fiscal Year		
	2003	2002	2001
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**54.0**	53.4	61.7
Gross Profit	**46.0**	46.6	38.3
Selling, general and administrative expenses	**34.5**	37.3	31.8
Operating income	**11.5**	9.3	6.5
Interest expense	**(0.9)**	(1.0)	(1.1)
Other income, net	**0.4**	0.3	0.5
Earnings before income taxes	**11.0**	8.6	5.9
Income taxes	**2.6**	2.1	1.0
Net earnings	**8.4%**	6.5%	4.9%

Sales by operating segment for fiscal 2003, 2002 and 2001 were as follows:

Segment	(In Thousands)			% Increase (Decrease)	
	2003	2002	2001	2003 versus 2002	2002 versus 2001
-------------------	**-------**	-------	-------	-------	-------
North American	**$345,992**	$308,738	$307,764	12%	—%
International	**33,759**	29,906	25,390	13	18
Tactica	**79,074**	108,675	24,010	(27)	353
	-------	-------	-------	-------	-------
	$458,825	$447,319	$357,164	3%	25%

Operating income (loss) by operating segment for fiscal 2003, 2002 and 2001 was as follows:

Segment	(In Thousands)			% Increase (Decrease)	
	2003	2002	2001	2003 versus 2002	2002 versus 2001
-------------------	**-------**	-------	-------	-------	-------
North American	**$ 49,554**	$ 32,203	$ 28,736	54%	12%
International	**2,995**	(244)	94	1,327	(360)
Tactica	**2,657**	11,930	(4,629)	(78)	358
Corporate / other (1)	**(2,347)**	(2,232)	(1,205)	(5)	(85)
	-------	-------	-------	-------	-------
	$ 52,859	$ 41,657	$ 22,996	27%	81%

(1) Includes items not allocated to the three operating segments.

RESULTS OF OPERATIONS

Consolidated Sales and Gross Profit Margins

Our net sales for the 12-month period ended February 28, 2003 ("fiscal 2003") grew by $11,506,000, or 2.6 percent, compared to the 12-month period ended February 28, 2002 ("fiscal 2002"). Net sales increased in our North American and International operating segments, while our Tactica segment's net sales decreased.

Fiscal 2002 net sales improved 25.2 percent or $90,155,000 versus the 12-month period ended February 28, 2001 ("fiscal 2001"). All three of our operating segments exceeded their prior year sales totals, with the Tactica operating segment producing $84,665,000 of the fiscal 2002 sales increase. The International operating segment was responsible for most of the remaining sales growth.

Gross profit, as a percentage of sales decreased from 46.6 percent in fiscal 2002 to 46.0 percent in fiscal 2003, primarily because of the mix of net sales among our operating segments. Our North American and International segments' net sales increased during fiscal 2003, both in absolute terms and as a percentage of consolidated net sales. These segments generally achieve lower gross margins than Tactica, but also incur lower selling, general, and administrative expenses, as a percentage of net sales, than Tactica. This change in sales mix contributed to the decrease in gross profit margins. The North American and International segments both achieved improved gross margins during fiscal 2003, offsetting, in part, the effect of the change in our sales mix.

Our fiscal 2002 gross profit margins improved from 38.3 to 46.6 percent. Most of this increase was attributable to Tactica's higher sales. Tactica's net revenues made up 24.1 percent of our consolidated fiscal 2002 net sales, versus

6.7 percent in fiscal 2001, thus increasing the effect of its relatively high gross margins on consolidated gross margins. North American segment gross margins also improved from fiscal 2001 to fiscal 2002, primarily because of a favorable change in the mix of products sold and our ability to source product more efficiently.

Selling, general, and administrative expense

During fiscal 2003, selling, general, and administrative expenses ("SG&A"), expressed as a percentage of sales, decreased from 37.3 percent to 34.5 percent. Three factors contributed significantly to this decrease. First, we experienced a $2,035,000 reduction in SG&A due to the discontinuance of goodwill amortization associated with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Second, SG&A dropped by $1,945,000, compared to fiscal 2002, because of foreign exchange gains. Finally, our North American and International segments comprised larger portions of our business in fiscal 2003 than in fiscal 2002. As mentioned above, the North American and International segments generally incur lower SG&A, as a percentage of sales, than our other segment, Tactica. The difference in SG&A rates is largely due to the fact that Tactica's business model requires it to spend higher percentages of its net sales on media advertising. Because the North American and International segments contributed larger percentages of our consolidated net sales in fiscal 2003 than in fiscal 2002, the lower SG&A, as a percentage of sales, that they incurred, had a greater weight in determining consolidated SG&A as a percentage of net sales.

From fiscal 2001 to fiscal 2002, SG&A expressed as a percentage of net sales, increased from 31.8 percent to 37.3 percent. Because Tactica grew significantly during fiscal 2002, both in its sales volume and as a percentage of our consolidated business, all of its operating statistics, including SG&A as a percentage of sales, became much more significant to our overall results. This was the primary reason for higher SG&A, as a percentage of sales, during fiscal 2002. Although its SG&A percentage was higher than the percentages incurred by the other segments, Tactica's SG&A declined as a percentage of its net sales from fiscal 2001 to fiscal 2002. The main reason for the decline was a drop in Tactica's fixed expenses as a percentage of its increased sales. The variable portion of Tactica's SG&A expense rose slightly as a percentage of its fiscal 2002 net sales, mainly because of higher advertising expense. Excluding Tactica, our fiscal 2002 SG&A as a percentage of sales was consistent with fiscal 2001, as lower media advertising expenses largely offset slightly higher personnel, insurance, and inventory storage costs.

North American Segment

The North American segment sells hair care and other personal care and comfort appliances, hair brushes, combs, utility and decorative hair accessories, liquid hair care products, and liquid and powder skin care products in the U.S. and Canada. The North American segment's main customers are mass merchandisers, drug chains, warehouse clubs, grocery stores, and beauty supply retailers and wholesalers.

Net sales in the North American segment grew $37,254,000 or 12.1 percent from fiscal 2002 to fiscal 2003. On October 23, 2002, we expanded our product lines into the liquid and powder hair and skin care category by acquiring four brand names and licenses to sell products under two additional brand names. Sales of liquid and powder hair and skin care products under the six new brand names resulted in $11,200,000 of sales growth in the North American segment. Exclusive of these sales our North American segment grew 8.4 percent. The growth, exclusive of the liquid and powder product lines, resulted from increased sales of existing product lines that have been enhanced with new technologies and features. Examples include hair care appliances utilizing ionic technology and ceramic, rather than traditional, heating surfaces. We also experienced increased sales in our Vidal Sassoon(R) line of hair clippers, as well as hair care appliances sold under our Wave Rage(TM) trade name. Partially offsetting the gains discussed above, our fiscal 2003 net sales of hair brushes, combs and accessories were lower than in fiscal 2002.

North American segment sales remained relatively constant from fiscal 2001 to fiscal 2002, increasing by less than one percent. In the retail distribution channel, our new line of ion hair care appliances and our label products produced sales increases. Slight decreases in sales of some of our branded hair care and personal care appliances, as well as lower sales of brushes, combs, and accessories offset partially the sales increases.

Sales in the North American professional distribution channel grew mainly because of new product introductions and the expansion of some of our larger customers in this channel of distribution. The weakness of the U.S. economy in fiscal 2002, relative to the recent past, contributed to a difficult North American sales environment.

The North American segment's operating income grew $17,351,000, or 53.9 percent, for fiscal 2003, compared to fiscal 2002. Operating income in the North American segment was 14.3 percent of sales, compared to 10.4 percent in fiscal 2002. The sales growth discussed above was a significant factor in the North American segment's achievement of higher operating income. The North American segment benefited from the absence of goodwill amortization during fiscal 2003, due to the adoption of SFAS 142, and achieved better gross margins in fiscal 2003 than fiscal 2002. The increased gross margins were attributable primarily to more efficient product sourcing. In addition, the North American segment benefited during fiscal 2003 from the reclassification of $580,000 that was accrued during fiscal 2000 for anticipated customer credits related to the artificial fingernails business, but was not needed for that purpose. This amount was reclassified in fiscal 2003 to accrue for customer credits related to other products.

Operating income generated by the North American segment increased 12.1 percent in the fiscal year ended February 28, 2002, compared to the same period a year earlier. Expressed as a percentage of sales, the North American segment's operating income rose from 9.3 percent to 10.4 percent from fiscal 2001 to fiscal 2002. The improved North American operating results were primarily the result of higher gross profit margins, arising from favorable changes in the mix of products sold and our ability to source product more efficiently.

International Segment

The International segment sells hair care and other personal care and comfort appliances, hairbrushes, combs, utility and decorative hair accessories, liquid hair care products, and liquid and powder skin care products outside of the U.S. and Canada. The International segment, like the North American segment, sells primarily to mass merchandisers, drug chains, warehouse clubs, grocery stores, and beauty supply retailers and wholesalers.

Net sales in the International segment grew $3,853,000 or 12.9 percent from fiscal 2002 to fiscal 2003. As discussed in the North American segment sales analysis above, on October 23, 2002, we expanded our product lines into the liquid and powder hair and skin care category by acquiring four brand names and licenses to sell products under two additional brand names. Sales of liquid and powder hair and skin care products under the six new brand names resulted in $1,797,000 of sales growth in the International segment. Exclusive of these sales our International segment grew 6.9 percent. The International segment sales increase, exclusive of the liquid and powder products, is mainly comprised of improved sales in the United Kingdom ("UK"). The introduction of hair straighteners under the Vidal Sassoon(R) trade name in the UK produced part of the sales growth, while the introduction of a new line of hair care appliances under the Cosmopolitan trade name contributed the balance. The strengtheningduring fiscal 2003 of the British pound and the Euro versus the U.S. dollar also had a positive effect on our International segment's net sales.

Increased sales in Latin and South America, France, and the UK drove International segment net sales up 17.8 percent during fiscal 2002. The growth in Latin America and South America was attributable to our successful efforts to increase distribution by expanding our customer base in that geographic area. The net sales increase in France was due both to the development of relationships with a larger number of customers and the growth of our businesswith existing customers. Expanded sales to some of our larger customers in the UK drove sales increases there.

The International segment generated $2,995,000 of operating income, compared to a $244,000 operating loss in fiscal 2002. Higher net sales, along with better gross profit margins, were keys to the International segment's improved operating results for fiscal 2003. As was the case with the North American segment, more efficient sourcing contributed to the International segment's improved gross margins. Foreign currency exchange gains also increased the International segment's operating profits by approximately $1,900,000. Our operations in the UK, Germany, and France purchase inventory using United States dollars and bill customers in British pounds or Euros upon selling such inventory. This method of purchasing and billing combined with a weakening U.S. dollar to produce foreign exchange gains during fiscal 2003.

Our International segment incurred an operating loss of $244,000 in fiscal 2002, compared to operating income of $94,000 in fiscal 2001. During fiscal 2002, we experienced collection difficulties with a customer in the Latin and South American market, as well as several customers in the Middle East. We are currently exploring strategies that might reduce our credit risk in the Latin and South American market. In addition to collection difficulties, inventory markdowns and currency exchange losses contributed to the International segment's fiscal 2002 operating loss.

Tactica Segment

We own a 55 percent interest in Tactica International, Inc. ("Tactica"). Tactica sells a variety of personal care and other products to retailers and directly to consumers. Tactica uses television and print media advertising extensively. As a result, Tactica incurs higher SG&A expenses, as a percentage of sales, than the North American and International operating segments.

At the time that we acquired Tactica, we determined that use of the purchase method of accounting and consolidation was appropriate and we continue to use that method of consolidation. Tactica had accumulated a net deficit at the time that we acquired our interest in it and the minority shareholders have not adequately guaranteed their portion of the accumulated deficit. At February 28, 2003, Tactica's accumulated deficit totaled $2,172,000. Therefore, our Consolidated Statements of Income for fiscal 2003, 2002 and 2001 include 100 percent of Tactica's net earnings or loss. We will continue to recognize all of Tactica's net income or loss until such time as Tactica's $2,172,000 accumulated deficit is extinguished.

Tactica's fiscal 2003 net revenues decreased 27.2 percent, compared to fiscal 2002. Sales of Tactica's Epil-Stop(R) hair removal products decreased approximately 50 percent, with this change being the primary reason for Tactica's lower net revenues. We expect Tactica's fiscal 2004 net revenues to remain relatively constant, compared to fiscal 2003. Please refer to the section below entitled "Risk Factors" regarding this and other forward-looking statements.

During fiscal 2002, Tactica's net revenues increased to over four times their fiscal 2001 levels. Epil-Stop(R) products played the most significant role of any product in Tactica's fiscal 2002 sales increase. The Electrosage(TM) muscle stimulation / exercise product line and the new Twist-A-Braid(TM) hair styling accessory also contributed to higher fiscal 2002 sales.

Due mainly to the sales decrease discussed above, Tactica's operating income decreased from $11,930,000 in fiscal 2002 to $2,657,000 in fiscal 2003. In addition to lower sales, Tactica also achieved slightly lower gross profit, as a percentage of sales, in fiscal 2003 than in fiscal 2002 as its sales mix shifted more heavily toward retailers and away from sales directly to consumers. Because its sales decreased, Tactica experienced an increase in SG&A as a percentage of sales, despite lowering its SG&A spending by approximately $16,000,000.

Tactica's operating income of $11,930,000 in fiscal 2002 was a $16,559,000 improvement over its fiscal 2001 operating loss of $4,629,000. Tactica's improvement in net sales was the primary factor leading to its better operating results in fiscal 2002. Higher fiscal 2002 revenues produced more gross profit for Tactica and caused its SG&A expenses, as a percentage of sales, to decrease.

Interest expense and Other income / expense

Interest expense was $291,000, or 6.8 percent, lower in fiscal 2003 than in fiscal 2002. We did not borrow any funds under our line of credit during fiscal 2003, as opposed to fiscal 2002, when we borrowed funds during the first three quarters of that fiscal year and incurred the related interest expense. During fiscal 2003, our interest expense consisted entirely of interest on our fixed rate long-term notes payable.

Interest expense increased 6.7 percent, or $267,000, from fiscal 2001 to fiscal 2002. This was largely due to increased borrowings under our line of credit during the first three quarters of fiscal 2002. The increase in borrowings was due to our relatively high levels of inventory purchases early in the year. Such purchases enabled us to obtain products from suppliers at favorable prices.

The increase of $706,000, or 62 percent, in our other income for fiscal 2003, over fiscal 2002, was due mainly to the fact that we had more cash available for investment during most of fiscal 2003 than fiscal 2002.

Other income decreased to $1,146,000 in fiscal 2002, compared to $1,883,000 in fiscal 2001. The primary reason for the decrease was a drop in income from the sale and appreciation of trading securities from approximately $1,400,000 in fiscal 2001 to $147,000 in fiscal 2002. Interest income also fell because of lower interest rates and because of lower cash balances for most of fiscal 2002 versus fiscal 2001.

Income tax expense

Our fiscal 2003 income tax expense was 23.7 percent of net income before taxes, a rate relatively constant with the 24.2 percent rate that we experienced in fiscal 2002. Because of our corporate structure, the earnings produced by our North American and International operating segments are generally taxed at lower rates than earnings produced by Tactica. The North American and International segments, combined, contributed a significantly larger portion of our earnings in fiscal 2003 than in fiscal 2002. This change in the mix of our earnings served to reduce our consolidated effective income tax rate. However, as discussed below, we removed a valuation allowance from a deferred tax asset during fiscal 2002, thereby making that year's effective income tax rate lower than it otherwise would have been. This factor offset the reduction of income taxes as a percentage of earnings before income taxes, caused by the reduction in Tactica's contribution to pre-tax earnings.

In fiscal 2002 our income tax expense was 24.2 percent of net income before income taxes, as opposed to 17.0 percent in fiscal 2001. The main reason for this change was Tactica. As mentioned above, Tactica usually incurs higher income tax rates than do our other two segments combined. Because Tactica produced net income during fiscal 2002, as opposed to a loss in fiscal 2001, our fiscal 2002 effective tax rate rose. The removal during fiscal 2002 of a valuation allowance from a $1,115,000 deferred tax asset reduced Tactica's income tax expense for fiscal 2002.

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2003, we funded several significant capital, trademark, and license expenditures with cash generated internally. Our largest such expenditures consisted of the purchase of four trade names and the rights under licenses for two additional trade names. We now sell hair care liquids and skin care liquids and powder under those six brand names. In addition, we purchased a warehouse in Mississippi and entered an agreement with a licensor whereby we prepaid royalties due in future years. We used approximately $63,000,000 of cash in these transactions and ended the year with cash of more than $47,000,000.

Operating activities provided $43,513,000 during fiscal 2003, compared to $52,632,000 during fiscal 2002. The primary reason for the difference between these two figures was our use of $11,500,000 to prepay royalties under a license agreement in connection with alterations to the terms of that agreement. Investing activities used $60,529,000 of cash during fiscal 2003, compared with $5,778,000 in fiscal 2002, mainly because of our purchase of a warehouse in Mississippi and our acquisition of four trade names under which we will sell hair care liquids and skin care liquids and powder, as well as licenses to sell such products under two additional trade names. The new warehouse replaces space that we were leasing in a warehouse operated by a third party in the Southeast. The purchase of the brand names and rights under licenses allows us to expand into an additional portion of the personal care market. We believe that this transaction will result in increased net sales and earnings for the Company.

Net accounts receivable decreased 11.4 percent from February 28, 2002 to February 28, 2003. This decrease is largely a result of the timing of our fourth quarter sales. Our sales during the first month of the fourth quarter were higher in fiscal 2003 than in fiscal 2002. The reverse was true of sales for the third month of the quarter. This pattern resulted in earlier collection of fiscal 2003 fourth quarter sales, compared to fiscal 2002.

Our February 28, 2003 inventory balance increased 11.6 percent, compared to the same time a year earlier, while net sales grew by 2.6 percent. The primary reason for the difference between the percentage increase in inventory and sales was an increase in the Tactica segment's inventory, while its sales decreased.

Our working capital balance decreased to $173,809,000 at February 28, 2003, from $191,438,000 at February 28, 2002. Our current ratio was 3.8 at February 2003, compared to 4.7 at February 28, 2002. The decreases in our working capital and current ratio resulted from the conversion of cash into non-current assets in connection with the purchases of brand names and a new warehouse facility, as well as the prepayment of royalties, all of which are discussed earlier in this section.

In connection with its acquisition of a 55 percent interest in Tactica, the Company loaned $3,500,000 to the minority shareholders of Tactica. The annual interest rate on these loans is 8.75 percent. All principal and unpaid interest on these loans is due March 14, 2005. These loans are secured by the shares of Tactica held by the minority shareholders. The total amounts of principal and accrued interest due to the Company under the loans to Tactica's minority shareholders were $4,409,000 and $4,103,000 at February 28, 2003 and 2002, respectively. These amounts are included in "Other assets" on the Consolidated Balance Sheets.

We maintain a revolving credit loan with a bank to facilitate short-term borrowings and the issuance of letters of credit. This line of credit allows borrowings totaling $25,000,000, incurs interest at the three-month LIBOR rate plus a percentage that varies based on the ratio of the Company's debt to its earnings before interest, taxes, depreciation, and amortization ("EBITDA"), and expires August 31, 2003. At February 28, 2003 the interest rate charged under the line of credit was 2.31 percent. This line of credit allows for the issuance of letters of credit up to $7,000,000. Any outstanding letters of credit reduce the $25,000,000 maximum borrowing limit on a dollar-for-dollar basis. At February 28, 2003, there were no borrowings under this line of credit and outstanding letters of credit totaled $828,000. The revolving credit agreement provides that the Company must satisfy requirements concerning its minimum net worth, debt to capitalization ratio, debt to EBITDA ratio and its fixed charge coverage ratio. The Company is in compliance with all of these requirements. Under the terms of the revolving credit agreement, one of our U.S. subsidiaries is the borrower. Our parent company, located in Bermuda and three of our U.S. subsidiaries fully guarantee any amounts outstanding under the revolving line of credit on a joint and several basis.

Our $55,000,000 of long-term debt is comprised of a group of unsecured Senior Notes with face values totaling $40,000,000 and an annual interest rate of 7.01 percent, as well as an unsecured Senior Note with a face value of $15,000,000 and an annual interest rate of 7.24 percent. We pay interest on these notes each calendar quarter. The $40,000,000 group of Senior Notes requires annual principal payments of $10,000,000 beginning January 5, 2005, with the final payment due January 5, 2008. The $15,000,000 Senior Note requires annual principal payments of $3,000,000 beginning July 18, 2008, with the final payment due July 18, 2012. The Senior Notes contain covenants that require the Company to meet certain net worth and other financial requirements. Additionally, the Senior Notes restrict the Company from incurring liens on any of its properties, except under certain conditions. The Company is in compliance with all the terms of these notes. Under the terms of the Senior Notes, one of our U.S. subsidiaries is the borrower. Our parent company, located in Bermuda, one of our subsidiaries located in Barbados, and three of our U.S. subsidiaries fully guarantee the Senior Notes on a joint and several basis.

Capital and license expenditures totaled $42,865,000, $878,000, and $3,185,000 in fiscal 2003, 2002, and 2001, respectively. Capital and license expenditures during fiscal 2003 included $16,700,000 associated with our purchase of a new warehouse facility in Mississippi, $19,000,000 paid for the acquisition of the rights to sell Sea Breeze(R) and Vitapointe(R) products under a license agreement, and $2,000,000 paid in connection with the renewal and alteration of terms of a license agreement.

We also used $16,920,000 of cash to acquire trademarks. We are in the process of replacing certain of our key information technology systems. We estimate that we will spend a total of approximately $5,000,000 to $6,000,000 on this project, with the expenditures occurring during fiscal 2004 and fiscal 2005. It is our expectation that we will capitalize at least 80 percent of the amount spent on the information technology project. In addition, we plan to move our UK operation into a new office facility during fiscal 2004. We expect to make a capital expenditure of approximately $1,800,000 in connection with the construction of our new office facility in the UK. We expect to pay for the information technology project and the new UK office facility with funds generated internally.

Our contractual obligations and commercial commitments, as of February 28, 2003 were:

Payments Due By Period (In 000s)

Contractual Obligations	Total	1 year	2 years	3 years	4 years	5 years	After 5 years
Long-term debt	$ 55,000	—	10,000	10,000	10,000	10,000	15,000
Open purchase orders – inventory	68,249	68,249	—			—	—
Minimum royalty payments	24,830	3,705	3,829	3,260	2,658	2,658	8,720
Advertising commitments under license agreements	23,775	6,274	5,724	5,705	868	878	4,326
Management fees - Corporate jet	1,811	362	362	363	362	362	—
Operating leases	3,678	1,960	894	818	6	—	—
New office facility in UK	1,800	1,800	—	—	—	—	—
Purchase of software	1,113	1,113	—	—	—	—	—
Total contractual obligations	$180,256	83,463	20,809	20,146	13,894	13,898	28,046

Our 55 percent-owned subsidiary, Tactica International, Inc. ("Tactica") leases office space in New York City. One of our U.S. subsidiaries has issued a $389,000 standby letter of credit to the lessor. The lessor may draw funds from the standby letter of credit if Tactica fails to pay its rent. The standby letter of credit decreases to $195,000 on April 30, 2005 and expires on the same date as the related lease, February 27, 2006.

We do not engage in any activities involving special purpose entities or off-balance sheet financing.

Based on our current financial condition and current operations, we believe that cash flows from operations and available financing sources will continue to provide sufficient capital resources to fund the Company's ongoing liquidity needs for the foreseeable future. Other than the planned capital expenditures discussed above, we expect that our capital needs will stem primarily from the needs to purchase sufficient levels of inventory and to carry normal levels of accounts receivable on our balance sheet. In addition, we evaluate acquisition opportunities on a regular basis and might augment our internal growth with acquisitions of complementary businesses and product lines. We might finance acquisition activity with available cash, the issuance of stock, or with additional debt, depending upon the size and nature of any such transaction and upon conditions in the capital markets.

Acquisition Of Trade Names And Licenses

On October 21, 2002, we acquired from The Procter & Gamble Company the right to sell products under six trade names. We acquired all rights to the trademarks, formulas, and production processes for four of the six trade names; Ammens(R), Vitalis(R), Condition 3-in-1(R), and Final Net(R). The Procter & Gamble Company assigned to us its rights under licenses to sell products bearing the other two trade names; Sea Breeze(R) and Vitapointe(R). The Sea Breeze(R) license is perpetual. The portion of the purchase price assigned to the four trademarks purchased is included in our consolidated balance sheet as of February 28,

2003 on the line entitled "Trademarks, net of accumulated amortization." We have concluded that the useful economic lives of these trademarks are indefinite, meaning that they are not subject to amortization. This conclusion was reached after consideration of the history of the brands and of our plans and forecasts for sales of products under these trademarks. The portion of the purchase price assigned to the rights obtained under the Sea Breeze(R) and Vitapointe(R) licenses appears on our consolidated balance sheet as of February 28, 2003 on the line entitled "License agreements, at cost less accumulated amortization." After consideration of the fact that the Sea Breeze(R) license is perpetual and an analysis of the history of the brand as well as our plans and forecasts with respect to the brand, we determined that the Sea Breeze(R) license has an indefinite economic useful life. Therefore it is not subject to amortization. The Vitapointe(R) license expires on December 31, 2010. Although, our long-range expectation is to renew this license upon its expiration, we that the finite nature of this license indicates that it has a definite life and is, therefore subject to amortization. We expect annual amortization expense associated with the Vitapointe(R) license to be approximately $125,000.

Trademark License Agreement Renewal

During December 2002, we signed a new agreement with The Procter & Gamble Company to sell appliances and combs, hair brushes, and accessories using the Vidal Sassoon trade name. The agreement allows us to sell products under the Vidal Sassoon trade name worldwide except in Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, The Philippines, Singapore, Taiwan, and Thailand. In connection with the new agreement, we paid a $2,000,000 non-refundable licensing fee, which we will amortize over the agreement's initial term, January 2003 through December 2012. In addition, we are obligated under the agreement to pay royalties on a quarterly basis. We also have options to extend the agreement for two additional ten-year periods.

Non-Monetary Transactions

During fiscal 2003, we entered into two non-monetary transactions in which we exchanged inventory with a net book value of approximately $3,100,000 for advertising credits. As a result of these transactions, we recorded both sales and cost of goods sold equal to the exchanged inventory's net book value. We used approximately $600,000 of the advertising credits during fiscal 2003 and expect to use the remaining advertising credits by February 28, 2004. The remaining credits are valued at $2,500,000 on our Consolidated Balance Sheet at February 28, 2003 and are included in the line item entitled "Prepaid Assets."

Critical Accounting Policies

The U.S. Securities and Exchange Commission defines critical accounting policies as "those that are both most important to the portrayal of a company's financial condition and results, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain." Preparation of our financial statements involves the application of several such policies. These policies include: consolidation of Tactica International, Inc. ("Tactica") under the purchase method, estimates of our exposure to liability for income taxes in Hong Kong, estimates of credits to be issued to customers for sales that have already been recorded, the calculation of our allowance for doubtful accounts, and the valuation of inventory on a lower-of-cost-or-market basis.

Consolidation of Tactica - In March 2000 (fiscal 2001), we acquired a 55 percent interest in Tactica. At that time, we determined that use of the purchase method of accounting and consolidation was appropriate and we continue to use that method of consolidation. Because Tactica had accumulated a net deficit at the time that we acquired our interest in it and because the minority shareholders of Tactica have not adequately guaranteed their portion of the accumulated deficit, our Consolidated Statements of Income for fiscal 2003, 2002 and 2001 include 100 percent of Tactica's net income or loss. We will continue to recognize all of Tactica's net income or loss until such time as Tactica's accumulated deficit is extinguished.

Hong Kong Income Taxes - The Inland Revenue Department ("the IRD") in Hong Kong assessed tax on certain profits of the Company's foreign subsidiaries for the fiscal years 1990 through 1997. During fiscal

2003, we came to an agreement with the IRD, settling its assessment for fiscal 1990 through 1994 for approximately 56 percent of the amount originally assessed. The ultimate resolution of the remaining IRD claims cannot be predicted with certainty. However, we have recorded a liability for the IRD's claims, based on consultations with outside Hong Kong tax experts as to the probability that some or all of the IRD's claims prevail. Such liability is included in "Income taxes payable" on the Consolidated Balance Sheets. If the IRD's position were to prevail and it were to assert the same position with respect to fiscal years after 1997, the resulting tax liability could total $34,101,000 (U.S.) for the period from fiscal 1995 through fiscal 2003.

Estimates of credits to be issued to customers - We regularly receive requests for credits from retailers for returned products or in connection with sales incentives, such as cooperative advertising and volume rebate agreements. We reduce sales or increase selling, general, and administrative expenses, depending on the nature of the credits,for estimated future credits to customers. Our estimates of these amounts are based either on historical information about credits issued, relative to total sales, or on specific knowledge of incentives offered to retailers.

Valuation of inventory - We account for our inventory using a first-in-first-out system in which we record inventory on our balance sheet at the lower of its cost or its net realizable value. Determination of net realizable value requires management to estimate the point in time at which an item's net realizable value drops below its cost. We regularly review our inventory for slow-moving items and for items that we are unable to sell at prices above their original cost. When we identify such an item, we reduce its book value to the net amount that we expect to realize upon its sale. This process entails a significant amount of inherent subjectivity and uncertainty.

Carrying value of long-lived assets - We apply the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") in assessing the carrying values of our long-lived assets. SFAS 142 and SFAS 144 both require that a company consider whether circumstances or conditions exist that suggest that the carrying value of a long-lived asset might be impaired. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of the asset exceeds its fair market value. If analyses indicate that the asset's carrying value does exceed its fair market value, the next step is to record a loss equal to the excess of the asset's carrying value over its fair value. The steps required by SFAS 142 and SFAS 144 entail significant amounts of judgment and subjectivity. We did not record any charges for impairment of long-lived assets during fiscal 2003.

Economic useful life of intangible assets - We apply Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") in determining the useful economic lives of intangible assets that we acquire and that we report on our consolidated balance sheets. SFAS 142 requires that companies amortize intangible assets, such as licenses and trademarks, over their economic useful lives, unless those assets' economic useful lives are indefinite. If an intangible asset's economic useful life is deemed to be indefinite, that asset is not amortized. When we acquire an intangible asset, we consider factors such as the asset's history, our plans for that asset, and the market for products associated with the asset. We consider these same factors when reviewing the economic useful lives of our previously acquired intangible assets as well. We review the economic useful lives of our intangible assets at least annually. The determination of the economic useful life of an intangible asset requires a significant amount of judgment and entails significant subjectivity and uncertainty.

In addition to the above policies, several other policies, including policies governing the timing of revenue recognition, are important to the preparation of our financial statements, but do not meet the definition of critical accounting policies because they do not involve subjective or complex judgments.

Risk Factors

OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS COULD BE MATERIALLY ADVERSELY AFFECTED BY CHANGES IN TAX LAWS. Currently, we benefit from an international corporate structure that produces relatively low tax effective tax rates on a consolidated basis. If we were to encounter changes in the rates or rules imposed by certain key taxing jurisdictions, such changes could have a material adverse effect on the Company's financial position and profitability. In 1994, we engaged in a corporate restructuring that, among other things, resulted in a greater portion of our income not being subject to taxation in the U.S. If such income were subject to U.S. federal income taxes, our effective income tax rate would increase materially. Several bills have been introduced recently in the U.S. Congress that, if enacted into law, could adversely affect our U.S. federal income tax status. In addition to the legislation introduced in Congress, the U.S. Treasury Department has published a study of restructurings such as ours. It is not currently possible to predict whether the legislation that has been introduced will become law, whether any additional bills will be introduced or the consequences of the U.S. Treasury Department's study. However, there is a risk that new laws in the U.S. could eliminate or substantially reduce the current income tax benefits of our corporate structure. If this were to occur, such changes could have a material adverse effect on our financial condition and results of operations. In addition to potential changes in tax laws, the Company's position on various tax matters may be challenged. Our ability to maintain our position that the parent company is not a Controlled Foreign Corporation (as defined under the U.S. Internal Revenue Code) is critical to the tax treatment of our non-U.S. earnings. A Controlled Foreign Corporation is a non-U.S. corporation whose largest U.S. shareholders (i.e., those owning 10% or more of its stock) together own more than 50% of the stock in such corporation. If a change of ownership of the Company were to occur such that the parent company became a Controlled Foreign Corporation, such a change could have a material negative effect on the largest U.S. shareholders and, in turn, on the Company's business.

THE HONG KONG INLAND REVENUE DEPARTMENT HAS CHALLENGED OUR POSITION ON CERTAIN PROFITS AND ASSESSED TAXES ON SUCH PROFITS. WE HAVE SETTLED CERTAIN OF THE CHALLENGES; HOWEVER, CERTAIN AMOUNTS ARE STILL OUTSTANDING AND WE MAY HAVE TO PAY FURTHER MATERIAL AMOUNTS IN THE FUTURE. The Hong Kong Inland Revenue Department ("the IRD") assessed $6,753,000 in tax on certain profits of our foreign subsidiaries for the fiscal years 1995 through 1997. Hong Kong taxes income earned from certain activities conducted in Hong Kong. We are vigorously defending our position that we conducted the activities that produced the profits in question outside of Hong Kong. The Company also asserts that it has complied with all applicable reporting and tax payment obligations. In connection with the IRD's tax assessment for the fiscal years 1995 through 1997, we were required to purchase $3,282,000 (U.S.) in tax reserve certificates in Hong Kong, which represented approximately 49% of the liability assessed by the IRD. Tax reserve certificates represent the prepayment by a taxpayer of potential tax liabilities. The amounts paid for tax reserve certificates are refundable in the event that the value of the tax reserve certificates exceeds the related tax liability. These certificates are denominated in Hong Kong dollars and are subject to the risks associated with foreign currency fluctuations.

The IRD also assessed $4,468,000 in tax on certain profits of our foreign subsidiaries for fiscal 1990 through 1994. During the second quarter of fiscal 2003, the Company and the IRD agreed on a settlement for fiscal years 1990 through 1994. The Company and the IRD agreed to settle the amount for $2,505,000 (56% of the assessed amount), plus interest of approximately $100,000. In addition to the tax reserve certificates discussed above, we previously purchased $2,468,000 in tax reserve certificates in connection with the IRD's assessment for 1990 through 1994. We were able to apply these reserve certificates to amounts due under the settlement. We paid the IRD approximately $37,000 of additional cash, plus interest to settle the issues raised by the IRD for fiscal 1990 through 1994. The settlement of the IRD's assessments for fiscal 1990 through 1994 did not affect the status of the IRD's assessments for fiscal years 1995 through 1997. If the IRD's position were to prevail and if it were to assert the same position for years after fiscal 1997, the resulting assessment could total $34,101,000 (U.S.) for the period from fiscal 1995 through fiscal 2003. Although the ultimate resolution of the IRD's claims cannot be predicted with certainty, we believe that adequate provision through 1997 and

potential future assessments relating to activity since fiscal 1997. However, such provisions do not reserve for the full amount of such contingency and if the IRD's position was to prevail the Company's financial condition and future results of operations could be materially adversely affected.

A FEW CUSTOMERS ACCOUNT FOR A SUBSTANTIAL PERCENTAGE OF OUR SALES. OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD SUFFER IF WE LOST ALL OR A PORTION OF THE SALES TO THESE CUSTOMERS. We are dependent on certain principal customers. Wal-Mart Stores, Inc. and its affiliate, SAM'S Club accounted for approximately 24 percent of the Company's net sales in fiscal 2003. Our top three customers accounted for approximately 36 percent of fiscal 2003 net sales. Although we have long-standing relationships with our major customers, no contracts require these customers to buy from us. A substantial decrease in sales to any of our major customers could have a material adverse effect on our financial condition and results of operations.

THE SALES OF OUR TACTICA PRODUCTS ARE VERY VOLATILE. ACCORDINGLY, OUR FINANCIAL CONDITION COULD BE ADVERSELY AFFECTED AND THE RESULTS OF OPERATIONS COULD FLUCTUATE MATERIALLY. Tactica's net sales increased by approximately 353 percent from fiscal 2001 and fiscal 2002 and decreased by approximately 27 percent from fiscal 2002 to fiscal 2003. Tactica's net sales comprised approximately 17 percent and 24 percent of the Company's consolidated net sales during fiscal 2003 and 2002, respectively. Tactica sells some products that have short life cycles. Furthermore, Tactica relies on television infomercials and direct response marketing campaigns for the marketing of some of its products. Accordingly, Tactica's sales could continue to be more volatile than the sales of our other two segments. Our financial position could be adversely affected and the results of operations could fluctuate materially because of the volatility of sales of Tactica products.

ONE OF OUR SUBSIDIARIES IS SUBJECT TO A STOCKHOLDERS' AGREEMENT WITH THE FORMER STOCKHOLDERS OF TACTICA. UNDER THE TERMS OF THE STOCKHOLDERS' AGREEMENT, UNDER CERTAIN CIRCUMSTANCES WE COULD BE REQUIRED TO BUY THE REMAINING OUTSTANDING SHARES OF TACTICA OR SELL OUR TACTICA SHARES TO A THIRD PARTY. THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD BE NEGATIVELY AFFECTED IF IT WAS FORCED TO CHANGE ITS OWNERSHIP POSITION IN TACTICA. One of our subsidiaries is a party to a stockholders' agreement with the former owners of Tactica, who retained a 45% interest in Tactica (collectively the "other Tactica stockholders"). Under the terms of the stockholders' agreement, we have been granted the right to initiate a process whereby we can purchase, and the other Tactica stockholders are required to sell, the shares they own. In addition, the other Tactica stockholders have the right to initiate a process regarding the sale of their remaining interest in Tactica. We may elect at our option not to purchase the shares owned by the other Tactica stockholders and under the terms of the stockholders' agreement the parties will then be required to initiate a procedure under which the entire business of Tactica would be offered for sale to third parties. In either case, the purchase price will be based upon fair market value as determined by independent appraisal. A sale to a third party would be subject to the approval of the other Tactica stockholders and us. In the event that either party exercises its rights under the stockholders' agreement, our financial position and results of operations could be adversely affected.

WE ARE DEPENDENT ON THIRD PARTY MANUFACTURERS, MOST OF WHICH ARE IN THE FAR EAST. CHANGES IN FOREIGN POLICY, INTERNATIONAL LAW OR THE INTERNAL LAWS OF THE COUNTRIES WHERE OUR MANUFACTURERS ARE LOCATED COULD HAVE A MATERIAL NEGATIVE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS. All of our products are manufactured by unaffiliated companies, most of which are in the Far East. Risks associated with such foreign manufacturing include: changing international political relations; changes in laws, including tax laws, regulations and treaties; changes in labor laws, regulations, and policies; changes in customs duties and other trade barriers; changes in shipping costs; currency exchange fluctuations; local political unrest; and the availability and cost of raw materials and merchandise. To date, these factors have not significantly affected our production in the Far East. However, any change that impairs our ability to obtain products from such manufacturers, or to obtain products at marketable rates, could have a material negative effect on our business, financial condition and results of operations.

THE RECENT OUTBREAK OF SEVERE ACUTE RESPIRATORY SYNDROME ("SARS") COULD DISRUPT THE FLOW OF FINISHED GOODS THAT WE PURCHASE AND RE-SELL. Our subsidiary in Hong Kong assists in the procurement of a large portion of the products that we sell. Many of these products are produced in South China. SARS has been most prevalent in these two regions. Should a SARS outbreak interfere with the operations of the third party factories from whom we purchase product or should it interfere with the operation of our office in Hong Kong, we might experience a shortage of inventory. This type of shortage could have a material negative effect on our financial position, results of operations, and cash flow. Thus far, SARS has had no effect on our business.

OUR INDUSTRY IS EXTREMELY COMPETITIVE. OUR BUSINESS WILL SUFFER IF WE DO NOT DEVELOP AND COMPETITIVELY MARKET PRODUCTS THAT APPEAL TO CONSUMERS. The personal care and comfort products industry is extremely competitive. Maintaining and gaining market share depends heavily upon price, quality, brand name recognition, patents, innovative designs of new products and replacement models, and marketing and distribution approaches. We compete with domestic and international companies, some of which have substantially greater financial and other resources than those of the Company. We believe that our ability to produce reliable products that incorporate developments in technology and to satisfy consumer tastes with respect to style and design, as well as our ability to market a broad offering of products in each applicable category at competitive prices, are keys to our future success. No assurance can be given that we will be able to successfully compete on the basis of these factors in the future.

WE ARE MATERIALLY DEPENDENT ON OUR LICENSED TRADEMARKS AS A SUBSTANTIAL PORTION OF OUR SALES REVENUE COMES FROM SELLING PRODUCTS UNDER LICENSED TRADEMARKS. OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD BE MATERIALLY ADVERSELY AFFECTED IF WE ARE UNABLE TO SELL PRODUCTS UNDER THESE TRADEMARKS. A substantial portion of our sales revenue is derived from sales of products under licensed trademarks. As a result, we are materially dependent upon the continued use of such trademarks, particularly the Vidal Sassoon(R) and Revlon(R) trademarks. Actions taken by licensors and other third parties could diminish greatly the value of any of our licensed trademarks. If we were unable to sell products under these licensed trademarks or the value of the trademarks were diminished by the licensor or third parties, the effect on our business, financial condition and results of operations could be both negative and material.

OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS WILL SUFFER IF WE DO NOT ACCURATELY FORECAST OUR CUSTOMERS' DEMANDS. Because of our reliance on manufacturers in the Far East, our production lead times are relatively long. Therefore, we must commit to production in advance of customer orders. If we fail to forecast customer or consumer demand accurately we may encounter difficulties in filling customer orders or in liquidating excess inventories, or may find that customers are canceling orders or returning products. Distribution difficulties may have an adverse effect on our business by increasing the amount of inventory and the cost of storing inventory. Additionally, changes in retailer inventory management strategies could make inventory management more difficult. Any of these results could have a material adverse effect on our business, financial condition and results of operations.

OUR FUTURE ACQUISITIONS, IF ANY, AND NEW PRODUCTS MAY NOT BE SUCCESSFUL, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS. We may decide to grow our business through the acquisition of new product lines and businesses. The acquisition of a business or of the rights to market specific products or use specific product names involves a financial commitment. In the case of an acquisition, such commitments are usually in the form of either cash or stock consideration. In the case of a new license, such commitments could take the form of license fees, prepaid royalties, and future minimum royalty and advertising payments. While our strategy is to acquire businesses and to develop products that will contribute positively to earnings, there is no guarantee of such results. Anticipated synergies may not materialize, cost savings may be less than expected, sales of products may not meet expectations and acquired businesses may carry unexpected liabilities.

Each of these factors could result in a newly acquired business or product line having a material negative impact on our financial condition and results of operations.

Information Relating To Forward-Looking Statements

Certain written and oral statements made by our Company and subsidiaries or with the approval of an authorized executive officer of our Company may constitute "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made in this report, in other filings with the Securities and Exchange Commission, in press releases, and in certain other oral and written presentations. Generally, the words "anticipates," "believes," "expects," and other similar words identify forward-looking statements. All statements that address operating results, events, or developments that we expect or anticipate will occur in the future, including statements related to sales, earnings per share results and statements expressing general expectations about future operating results, are forward-looking statements. The Company cautions readers not to place undue reliance on forward-looking statements. Forward-looking statements are subject to risks that could cause such statements to differ materially from actual results. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Factors that could cause actual results to differ from those anticipated include the factors discussed above in the section entitled "Risk Factors" and other risks described from time to time in the Company's reports to the Securities and Exchange Commission, including this report.

New Accounting Guidance

As explained in Note 1 to the consolidated condensed financial statements, on March 1, 2002, we adopted EITF 01-9 "Vendor Income Statement Characterization of Consideration Paid to a Reseller of a Vendor's Products." Our adoption of EITF 01-9 in fiscal 2003 had no effect on operating income, net earnings, or earnings per share. The following table presents the impact of EITF 01-9 on net sales and SG&A had the standard been in effect for all fiscal years during the three-year period ending February 28, 2003.

(in thousands)	Fiscal Year Ended February 28,		
	2003	2002	2001
Net sales prior to application of EITF 01-9	$ 462,563	$ 451,249	$ 361,398
Adjustments:			
Slotting fees	(861)	(1,607)	(1,275)
Cooperative advertising arrangements	(2,877)	(2,323)	(2,959)
Net adjustments	(3,738)	(3,930)	(4,234)
Net sales as reported herein	$ 458,825	$ 447,319	$ 357,164
SG&A prior to application of EITF 01-9	$ 161,910	$ 170,733	$ 117,872
Adjustments:			
Slotting fees	(861)	(1,607)	(1,275)
Cooperative advertising arrangements	(2,877)	(2,323)	(2,959)
Net adjustments	(3,738)	(3,930)	(4,234)
SG&A as reported herein	$ 158,172	$ 166,803	$ 113,638

In June 2001, the Financial Accounting Standards ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The Company adopted SFAS 142 on March 1, 2002. SFAS 142 eliminates the amortization of goodwill and other intangible assets that have indefinite useful lives. Amortization will continue to be recorded for intangible assets with definite useful lives. SFAS 142 also requires at least an annual impairment review of goodwill and other intangible assets. Any asset deemed to be impaired is to be written down to its fair value. We completed reviews of our goodwill to determine whether any of that goodwill was impaired. Based on the results of these reviews, we concluded

that our goodwill was not impaired as of March 1, 2002 or March 1, 2003. Therefore, we incurred no impairment charge as a result of the adoption of SFAS 142. Because it eliminates the amortization of goodwill, SFAS 142 decreased our SG&A expense by $2,035,000 for the fiscal year ended February 28, 2003.

The following tables present the impact of SFAS 142 on net earnings and earnings per share had the standard been in effect for the fiscal years ended February 28, 2003, 2002 and 2001. (In thousands, except per-share amounts):

(in thousands, except per share amounts)	**Years Ended February 28,**		
	2003	2002	2001
Reported net earnings	$ 38,716	$ 29,215	$ 17,332
Adjustments:			
Amortization of Goodwill	—	2,035	2,025
Income tax effect	—	(407)	(405)
Net adjustments	—	1,628	1,620
Adjusted net earnings	$ 38,716	$ 30,843	$ 18,952
Reported earnings per share - basic	$ 1.37	$ 1.04	$ .61
Adjusted earnings per share - basic	$ 1.37	$ 1.10	$ .67
Reported earnings per share - diluted	$ 1.31	$ 1.00	$ .60
Adjusted earnings per share - diluted	$ 1.31	$ 1.06	$ .66

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 requires all business combinations to be accounted for using the purchase method and requires the recognition of intangible assets apart from goodwill if they arise from contractual or legal rights or if they are separable from goodwill. SFAS 141 applies to all business combinations initiated after June 30, 2001. We did not enter into any transactions during fiscal 2003 that required the application of SFAS 141. Our fiscal 2003 purchase from The Procter & Gamble Company of four brand names and rights under licenses for two additional brand names was a purchase of specific assets, rather than a business combination.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 requires that legal obligations associated with the retirement of an asset be recorded as liabilities as incurred and capitalized as part of the cost of the associated asset. These obligations are then depreciated over the course of the asset's useful life. We believe that SFAS 143 will have no effect on our consolidated financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets" ("SFAS 144"). We adopted the provisions of SFAS 144 effective March 1, 2002. SFAS 144 requires that companies consider whether indicators are present that would indicate impairment of any of their long-lived assets. If such indicators are present the company compares the projected future undiscounted cash flows from the asset to its book value. If the cash flows exceed the book value, no further action is necessary. If the book value exceeds the projected undiscounted cash flows, a loss is recognized for the excess of the asset's book value over its fair value. SFAS 144 did not affect our consolidated financial statements as of or for the year ending February 28, 2003.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"). This statement amends Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation" ("SFAS 123") by providing alternative methods of transition to the fair-value-based method of accounting for stock-based employee compensation. It also amends the disclosure requirements of SFAS No. 123 to require prominent

disclosures of stock compensation information, including the method used to account for stock-based compensation and the effects of that method on reported financial results in interim, as well as annual, financial statements. We account for stock-based compensation using the intrinsic value method in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." We recognize no compensation expense in our financial statements for stock options issued with exercise prices that equal or exceed the cost of our common stock on the date such options are issued. As a result, we do not expect the provisions of SFAS 148 covering the transition to fair-value method accounting for stock-based compensation to affect our financial statements. We make the disclosures required by SFAS 148 in Note (7) to our consolidated financial statements. Beginning with our financial statements as of and for the three months ended May 31, 2003, we will make the interim disclosures required by SFAS 148.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires that a guarantor record a liability for and disclose certain types of guarantees. For certain other guarantees, FIN 45 requires only disclosure in the notes to the financial statements. We have not made any of the types of guarantees for which FIN 45 requires that a liability be recorded. However, certain entities whose financial statements are a part of our consolidated financial statements have guaranteed obligations of other entities within our consolidated group. FIN 45 requires disclosure of these guarantees and of our product warranties. These disclosures are contained in the notes to our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires that a company with an interest in a variable interest entity include such an entity in its consolidated financial statements if its financial interest in the entity indicates control. The statement applies immediately to interests in all variable interest entities acquired after January 1, 2003. For other variable interest entities, FIN is to be applied effective July 1, 2003. We have no interests in entities covered by FIN 46. Therefore, we do not expect FIN 46 to affect our consolidated financial statements.

Item 7a. Quantitative And Qualitative Disclosures About Market Risk

Changes in interest rates and currency exchange rates represent our primary financial market risks. Fluctuation in interest rates causes variation in the amount of interest that we can earn on our available cash. Interest on our long-term debt is fixed at rates ranging from 7.01 percent to 7.24 percent. Increases in interest rates do not expose us to risk on this debt. However, as interest rates drop below the rates on our long-term debt, our interest cost can exceed the cost of capital of companies who borrow at lower rates of interest.

As mentioned in the "Liquidity and Capital Resources" discussion, interest rates on our revolving credit agreement vary based on the three-month LIBOR rate and on our ratio of debt to EBITDA. Therefore, the potential for interest rate increases exposes us to interest rate risk on our revolving credit agreement. That agreement allows maximum borrowings of $25,000,000. At the end of fiscal 2003, no borrowings were outstanding under this agreement. However, if the need to borrow under the revolving credit agreement were to arise, higher interest rates would increase the cost of such debt. We do not currently hedge against interest rate risk.

Because we purchase a substantial majority of our inventory using U.S. dollars, we are subject to minimal short-term foreign exchange rate risk in purchasing inventory. However long-term declines in the value of the U.S. dollar could subject us to higher inventory costs. Such an increase in inventory costs could occur if foreign vendors were to react to such a decline by raising prices. Sales in countries other than the United Kingdom, Germany, and France are transacted in U.S. dollars. Our sales in the United Kingdom are transacted in British pounds and our sales in France and Germany are invoiced in Euros.
When the U.S. dollar strengthens against other currencies in which we transact sales, we are exposed to foreign exchange losses on those sales because our foreign currency sales prices are not adjusted for currency fluctuations. When the U.S. dollar weakens against those currencies, we could realize foreign currency gains.

In fiscal 2003, our net sales denominated originally in currencies other than the U.S. dollar totaled approximately $43,366,000, converted at average monthly exchange rates. Our fiscal 2003 foreign currency exchange gains totaled $1,638,000. During fiscal 2003, we began hedging against foreign currency exchange rate risk by entering into forward contracts to exchange a total of 5,000,000 British pounds for U.S. dollars at rates ranging from 1.5393 to 1.548 dollars per British pound. At February 28, 2003, one forward contract to exchange 1,000,000 British pounds for U.S. dollars at a rate of 1.5393 U.S. dollars per British pound remained outstanding. We expect to enter into additional forward contracts to hedge foreign currency risk up to one year in advance in the future.

Item 8. Financial Statements And Supplementary Data

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AND FINANCIAL STATEMENT SCHEDULE

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All other schedules are omitted as the required information is included in the consolidated financial statements or is not applicable.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Helen of Troy Limited:

We have audited the consolidated financial statements of Helen of Troy Limited and subsidiaries (the Company) as listed in the index on page 28. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the index on page 28. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Helen of Troy Limited and subsidiaries as of February 28, 2003 and February 28, 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended February 28, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth thereon.

As discussed in Note (1) to the consolidated financial statements, effective March 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ KPMG LLP

El Paso, Texas
May 13, 2003

HELEN OF TROY LIMITED
AND SUBSIDIARIES

Consolidated Balance Sheets

February 28, 2003 and 2002
(in thousands, except par value and shares)

Assets	**2003**	2002
Current assets:		
Cash and cash equivalents	**$ 47,837**	$ 64,293
Trading securities, at market value	**1,442**	145
Receivables - principally trade, less allowance of $5,107 in 2003 and $5,794 in 2002	**61,990**	69,943
Inventories	**111,966**	100,306
Prepaid expenses	**8,454**	3,256
Deferred income tax benefits	**3,147**	5,727
Total current assets	**234,836**	243,670
Property and equipment, at cost less accumulated depreciation of $14,302 in 2003 and $11,998 in 2002	**63,082**	45,716
Goodwill, net of accumulated amortization of $8,629 in 2003 and 2002	**40,767**	40,767
Trademarks at cost, net of accumulated amortization of $211 in 2003 and $188 in 2002	**17,048**	151
License agreements, at cost less accumulated amortization of $10,194 in 2003 and $8,888 in 2002	**27,372**	6,678
Other asset	**22,524**	20,576
	$ 405,629	$ 357,558

(Continued)

HELEN OF TROY LIMITED
AND SUBSIDIARIES

Consolidated Balance Sheets

February 28, 2003 and 2002
(in thousands, except par value and shares)

	2003	2002
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, principally trade	**$ 19,613**	$ 11,549
Accrued expenses:		
Advertising and promotional	**5,662**	5,183
Other	**16,802**	15,369
Income taxes payable	**18,950**	20,131
Total current liabilities	**61,027**	52,232
Long-term debt	**55,000**	55,000
Total liabilities	**116,027**	107,232
Stockholders' equity		
Cumulative preferred stock, non-voting, $1.00 par value. Authorized 2,000,000 shares; none issued	**—**	—
Common stock, $.10 par value. Authorized 50,000,000 shares; 28,202,495 and 28,196,517 shares issued and outstanding at February 28, 2003 and 2002, respectively	**2,820**	2,820
Additional paid-in-capital	**53,984**	53,424
Retained earnings	**233,774**	195,474
Minority interest in deficit of acquired subsidiary	**(976)**	(1,392)
Total stockholders' equity	**289,602**	250,326
Commitments and contingencies		
	$ 405,629	$ 357,558

See accompanying notes to consolidated financial statements.

HELEN OF TROY LIMITED
AND SUBSIDIARIES

Consolidated Statements of Income
(in thousands, except shares and earnings per share)

	Years Ended February 28,		
	2003	2002	2001
Net sales	**$ 458,825**	$ 447,319	$ 357,164
Cost of sales	**247,794**	238,859	220,530
Gross profit	**211,031**	208,460	136,634
Selling, general, and administrative Expenses	**158,172**	166,803	113,638
Operating income	**52,859**	41,657	22,996
Other income (expense):			
Interest expense	**(3,965)**	(4,256)	(3,989)
Other income, net	**1,852**	1,146	1,883
Total other income (expense)	**(2,113)**	(3,110)	(2,106)
Earnings before income taxes	**50,746**	38,547	20,890
Income tax expense	**12,030**	9,332	3,558
Net earnings	**$ 38,716**	$ 29,215	$ 17,332
	========	========	========
Earnings per share:			
Basic	**$ 1.37**	$ 1.04	$ .61
Diluted	**$ 1.31**	$ 1.00	$ .60
Weighted average number of common shares used in computing net earnings per share			
Basic	**28,188,747**	28,089,072	28,420,073
Diluted	**29,547,845**	29,198,972	28,728,762

See accompanying notes to consolidated financial statements.

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended February 28, 2003, 2002, and 2001
(in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Minority Interest in Deficit of Acquired Subsidiary	Total Stockholders' Equity
Balances, February 29, 2000	$ 2,884	$ 53,494	$ 153,246	$ —	$ 209,624
Exercise of common stock options, net	1	52	—	—	53
Issuance of common stock in connection with employee stock purchase plan	3	168	—	—	171
Acquisition and retirement of common stock		(1,508)	(3,033)	—	(4,623)
	(82)				
Minority interest in deficit of acquired subsidiary at date of acquisition	—	—	—	(2,948)	(2,948)
Net earnings	—	—	19,290	(1,958)	17,332
Balances February 28, 2001	2,806	52,206	169,503	(4,906)	219,609
Exercise of common stock options, net	10	710	—	—	720
Issuance of common stock in connection with employee stock purchase plan	4	178	—	—	182
Capital contribution to subsidiary by minority shareholder	—	330	—	270	600
Net earnings	—	—	25,971	3,244	29,215
Balances February 28, 2002	2,820	53,424	195,474	(1,392)	250,326
Exercise of common stock options, net	3	336	—	—	339
Issuance of common stock in connection with employee stock purchase plan	2	219	—	—	221
Cancellation of stock recovered from escrow		5	—	—	—
	(5)				
Net earnings	—	—	38,300	416	38,716
Balances February 28, 2003	$ 2,820	$ 53,984	$ 233,774	$ (976)	$ 289,602

See accompanying notes to consolidated financial statements.

HELEN OF TROY LIMITED
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(in thousands)

	Years Ended February 28,		
	2003	2002	2001
Cash flows from operating activities:			
Net earnings	**$ 38,716**	$ 29,215	$ 17,332
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	**6,558**	8,630	8,137
Provision for doubtful receivables	**(693)**	2,153	1,003
Deferred taxes, net	**2,580**	1,391	(2,148)
Purchases of trading securities	**(3,487)**	(431)	(1,579)
Proceeds from sales of trading securities	**2,258**	2,407	2,006
Realized gain - trading securities	**(157)**	(777)	(688)
Unrealized (gain) loss - trading securities	**90**	612	(701)
Prepayment of royalties	**(11,500)**	—	—
Proceeds from sales of property, plant, and equipment	**—**	43	—
Loss (gain) on disposal of property, plant and equipment	**(58)**	17	—
Impairment of asset held for sale	**—**	—	158
Other non-cash adjustments to earnings	**—**	—	2,457
Changes in operating assets and liabilities:			
Accounts receivable	**8,646**	(7,786)	(12,053)
Inventory	**(11,660)**	18,238	(20,011)
Prepaid expenses	**(1,937)**	(740)	1,483
Accounts payable	**8,064**	(9,454)	8,240
Accrued expenses	**1,878**	7,108	(8,892)
Other assets	**5,396**	—	—
Income taxes payable	**(1,181)**	2,006	5,071
Net cash provided (used) by operating Activities	**43,513**	52,632	(185)
Cash flows from investing activities:			
Capital and license expenditures	**(42,865)**	(878)	(3,185)
Purchase of trademarks	**(16,920)**	—	—
Retirements of property and equipment	**536**		
Cash paid for acquisitions, net of cash acquired	**—**	—	(2,205)
Increase in other assets	**(1,280)**	(4,900)	(7,904)
Net cash used by investing activities	**(60,529)**	(5,778)	(13,294)

(Continued)

HELEN OF TROY LIMITED
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(in thousands)

	Years Ended February 28,		
	2003	2002	2001
Cash flows from financing activities:			
Net proceeds from (payments on) short-term borrowings	**—**	(10,000)	10,000
Payments on long-term debt	**—**	—	(450)
Capital contribution to subsidiary by minority shareholder	**—**	600	—
Proceeds from exercise of stock options, net	**560**	902	224
Common stock repurchases	**—**	—	(4,623)
Net cash provided by (used in) financing activities	**560**	(8,498)	5,151
Net increase (decrease) in cash and cash equivalents	**(16,456)**	38,356	(8,328)
Cash and cash equivalents, beginning of year	**64,293**	25,937	34,265
Cash and cash equivalents, end of year	**$ 47,837**	$ 64,293	$ 25,937
Supplemental cash flow disclosures:			
Interest paid	**$ 3,890**	$ 4,278	$ 3,982
Income taxes paid (net of refunds)	**$ 10,068**	$ 5,776	$ 1,015

See accompanying notes to consolidated financial statements.

(1) Summary Of Significant Accounting Policies

(a) General

Helen of Troy Limited, a Bermuda company, and its subsidiaries ("the Company") design, develop, import, and distribute hair care appliances, hair brushes, combs, hair accessories, hair and skin care liquids and powders, and other personal care products. The Company purchases its products from unaffiliated manufacturers most of which are located in the People's Republic of China, Thailand, Taiwan, and South Korea.

The consolidated financial statements are prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(b) Consolidation

The consolidated financial statements include the accounts of Helen of Troy Limited and its subsidiaries, including Tactica International, Inc. ("Tactica"), a subsidiary in which the Company acquired a 55 percent interest in fiscal 2001. The Company's consolidated net income includes and will continue to include 100 percent of Tactica's net income or loss until such time as the minority interest in Tactica's accumulated deficit has been extinguished. Intercompany balances and transactions have been eliminated in consolidation.

(c) Revenue recognition

Sales are recognized when revenue is realized or realizable and has been earned. Sales and shipping terms vary among customers, and, as such, revenue is recognized when risk and title to the product transfer to the customer. Net sales is comprised of gross revenues less estimates of expected returns, trade discounts, and customer allowances, which include incentives such as cooperative advertising agreements and off-invoice markdowns. Such deductions are recorded and/or amortized during the period the related revenue is recognized.

(d) Consideration paid to customers

The Company offers certain incentives in the form of cooperative advertising arrangements, volume rebates, product markdown allowances, trade discounts, cash discounts, and slotting fees to customers who purchase its products. The Company accounts for these types of incentives in accordance with Emerging Issues Task Force Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer" ("EITF 01-9"). In instances where the customer is required to provide the Company with proof of performance, reductions in amounts received from customers as a result of cooperative advertising programs are included in the Consolidated Statement of Income on the line entitled "Selling, general, and administrative expenses" ("SG&A"). Other reductions in amounts received from customers as a result of cooperative advertising programs are recorded as reductions of net sales. Markdown allowances, slotting fees, trade discounts, cash discounts, and volume rebates are all recorded as reductions of net sales. After the implementation of EITF 01-9 customer incentives recorded as part of SG&A totaled $14,942,000, $12,261,000, and $12,390,000, respectively, for the fiscal years ended February 28, 2003, 2002, and 2001.

1) summary of significant accounting policies

(e) Inventories and cost of sales

The Company's inventories consist almost entirely of finished goods. The Company accounts for its inventory using a first-in-first-out system in which it records inventory on its balance sheet at the lower of its cost or its net realizable value. A product's cost is comprised of the amount that the Company pays a manufacturer for the product, tariffs and duties associated with transporting the product across national borders, freight costs associated with transporting the product from its shipping point to the Company's warehouse locations, and selling, general, and administrative ("SG&A") expenses attributable directly to the procurement of inventory. SG&A expenses attributable directly to the procurement of inventory include the expenses associated with operating the Company's Hong Kong sourcing facility, expenses associated with production forecasting, and certain expenses incurred in designing products and packaging. The Company charged $10,195,000, $9,608,000 and $10,074,000 of SG&A expenses to inventory during the fiscal years ended February 28, 2003, 2002, and 2001, respectively. The Company estimates that $4,493,000 and $4,332,000 of its inventory balances at February 28, 2003 and 2002, respectively, consisted of SG&A expenses charged to inventory. Net realizable value is based on the Company's estimate of future selling prices, less estimated disposal costs. The "Cost of sales" line item on the Consolidated Statements of Income is comprised of the book value (lower of cost or net realizable value) of inventory sold to customers during the reporting period.

(f) Shipping and handling revenues and expenses

The Company reports revenue from shipping and handling charges on the "Net sales" line of its Consolidated Statements of Income, in accordance with paragraph 5 of Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs." The Company only includes charges for shipping and handling in "Net sales" in respect of sales to direct response customers and retail customers ordering relatively small dollar amounts of product. The Company's shipping and handling expenses far exceed its shipping and handling revenues. Shipping and handling expenses are included in our Consolidated Statements of Income on the line entitled "Selling, general, and administrative expenses." The Company's expenses for shipping and handling totaled $31,355,000, $32,495,000, and $21,670,000 during its fiscal years ended February 28, 2003, 2002, and 2001.

(g) Valuation of accounts receivable

The allowance for doubtful accounts reflects the Company's best estimate of probable losses, determined principally on the basis of historical experience and specific allowances for known troubled accounts.

(h) Property and equipment

Property and equipment are stated at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Expenditures for repair and maintenance of property and equipment are expensed as incurred.

(i) License agreements and Trademarks

A substantial majority of the Company's sales are made subject to license agreements with the licensors of the Vidal Sassoon(R), Revlon(R), Sunbeam(R), and Dr. Scholl's(R) trademarks. License agreements are reported on the Company's Consolidated Balance Sheets at cost, less accumulated amortization. The cost of license agreements represents amounts paid to the licensor to acquire the license or to alter the terms of the license in a manner which the Company believes to be in its favor. Royalty payments are not included in the cost of license agreements. The Company amortizes the acquisition costs of the existing license agreements on a straight-line basis over the lives of the respective agreements. Net sales subject to license agreements comprised 59 percent, 56 percent, and 73 percent of total net sales for fiscal years 2003, 2002, and 2001, respectively. Royalty expense under the Company's license agreements is recognized as it is incurred and comprises part of the totals reported on the line item entitled "Selling, general, and administrative expenses" on our Consolidated Statements of Income. See Note (3) for more information on the Company's licenses.

(1) Summary Of Significant Accounting Policies, Continued

The Company also sells products under trademarks that it owns. Trademarks that the Company acquires from other entities are reported, at the cost of acquiring the trademark, net of accumulated amortization, on the Company's Consolidated Balance Sheets. Costs associated with developing trademarks internally are recorded as expenses in the period incurred. The Company amortizes the costs of trademarks on a straight-line basis over the useful life of the trademark. See Note (3) for more information on the Company's trademarks.

(j) Income taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences of temporary differences between the book and tax bases of various assets and liabilities. Generally, deferred tax assets represent future income tax reductions while deferred tax liabilities represent income taxes that the Company expects to pay in the future. The Company measures deferred tax assets and liabilities using enacted tax rates for the years in which it expects that temporary differences will reverse or be settled. Changes in tax rates affect the carrying values of deferred tax assets and liabilities. The effects of tax rate changes are recognized in the periods in which they are enacted.

(k) Earnings per share

Basic earnings per share are computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed based upon the weighted average number of common shares plus the effects of potentially dilutive securities. The number of potentially dilutive securities was 1,359,098; 1,109,900; and 308,689 for fiscal years 2003, 2002, and 2001, respectively. Dilutive securities for the years ended February 28, 2003 and February 28, 2002 consisted entirely of stock options. Dilutive securities for the year ended February 28, 2001 included 258,084 attributable to dilutive stock options, as well as 50,605 contingently issuable as part of an acquisition. Options to purchase common stock that were outstanding but not included in the computation of earnings per share because the exercise prices of such options were greater than the average market price of the Company's common stock totaled 4,162,662; 2,794,900; and 4,319,762 for fiscal 2003, 2002, and 2001, respectively.

(l) Cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents comprised $37,049,000 and $48,911,000 of the amount reported on the Company's consolidated balance sheets as "Cash and cash equivalents" at February 28, 2003 and 2002, respectively. The Company's cash equivalents consist of variable rate demand bonds that mature in 35 or fewer days.

(m) Trading securities

Trading securities consist of shares of common stock of several publicly traded companies and are stated on the Company's Consolidated Balance sheets at market value, as determined by the most recent trading price of each security as of the balance sheet date. Management determines the appropriate classification of the Company's investments when those investments are purchased and reevaluates those determinations at each balance sheet date. At February 28, 2003, the Company held its investments in equity securities of unaffiliated companies for the purpose of trading them in the near term. Therefore, all investments in equity securities are classified as trading securities and included in the "Current assets" section of the Company's Consolidated Balance Sheets. All unrealized gains and losses attributable to such securities are included in "Other income" on the Consolidated Statements of Income. The sum of unrealized and realized net gains attributable to trading securities totaled $67,000, $165,000, and $1,389,000 in fiscal 2003, 2002, and 2001, respectively.

(1) Summary Of Significant Accounting Policies, Continued

(n) Foreign currency transactions and derivative financial instruments

The U.S. dollar is the Company's functional currency. All of Helen of Troy Limited's non-U.S. subsidiaries' transactions involving other currencies have been re-measured in U.S. dollars using average exchange rates for the months in which the transactions occurred. Changes in exchange rates that affect cash flows and the related receivables or payables are included as part of the totals on our Consolidated Statements of Income on the line entitled "Selling, general, and administrative expenses" ("SG&A"). SG&A for fiscal 2003 and 2001, respectively, included reductions for foreign exchange gains of $1,638,000 and $31,000. SG&A for fiscal 2002 included a charge of $307,000 for foreign exchange losses.

The Company periodically hedges foreign currency risk for up to one year by purchasing contracts to exchange foreign currencies for U.S. dollars at specified rates. The Company first entered into such contracts in fiscal 2003. See Note (13) to these consolidated financial statements for a further discussion of the Company's hedging activities. The Company's accounting for these contracts complies with Statement of Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The contracts into which the Company entered in fiscal 2003 qualified as "effective hedges." Therefore, changes in their market value due to changes in exchange rates were recorded to selling, general, and administrative expenses. The contracts into which the Company entered were "effective hedges" according to the definition provided by SFAS 133. The Company's forward exchange contracts at February 28, 2003 had a negative value of $34,000. This amount is included in "Current Liabilities" section of the Company's Consolidated Balance Sheet as of February 28, 2003 as a component of the line entitled "Other." Since all of the cash flows hedged by the Company had been realized at February 28, 2003, the entire gain or loss attributable to the foreign exchange contracts appears on our Consolidated Statement of Income on the line entitled "Selling, general, and administrative expenses." The gain or loss related to foreign currency exchange contracts appears in our Consolidated Statements of Cash flows as a line item in the reconciliation of net earnings to cash flows from operations.

(o) Advertising

Advertising costs are expensed in the fiscal year in which they are incurred. During the fiscal years ended February 28, 2003, February 28, 2002 and February 28, 2001, the Company charged $45,917,000, $49,261,000, and $31,675,000, respectively, of advertising costs to selling, general, and administrative expenses.

(p) Warranties

The Company's products are under warranty against defects in material and workmanship for a maximum of two years. The Company has established an accrual of approximately $3,263,000 and $3,428,000 as of February 28, 2003 and February 28, 2002, respectively, to cover future warranty costs. The Company estimates its warranty accrual using historical trends. The Company believes that these trends are the most reliable method by which it can estimate its warranty liability. The following table summarizes the activity in the Company's accrual for the past three fiscal years:

Accrual For Warranty Returns
(in thousands)

Fiscal Year Ended February 28,	Beginning balance	Additions to accrual	Reductions of accrual - payments and credits issued	Ending balance
2003	$ 3,428	$ 12,408	$ 12,573	$ 3,263
2002	$ 2,946	$ 13,915	$ 13,433	$ 3,428
2001	$ 2,868	$ 11,314	$ 11,236	$ 2,946

(1) Summary Of Significant Accounting Policies, Continued

(q) Carrying value of long-lived assets

The Company applies the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") in assessing the carrying values of its long-lived assets. SFAS 142 and SFAS 144 both require that a company consider whether circumstances or conditions exist that suggest that the carrying value of a long-lived asset might be impaired. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of the asset exceeds its fair market value. If the analyses indicate that the asset's carrying value does exceed its fair market value, the next step is to record a loss equal to the excess of the asset's carrying value over its fair value. The steps required by SFAS 142 and SFAS 144 entail significant amounts of judgment and subjectivity. The Company did not record any charges for impairment of long-lived assets during fiscal 2003. Also see the subsection of this note entitled "New Accounting Guidance."

(r) Economic useful lives and amortization of intangible assets

The Company applies Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") in determining the useful economic lives of intangible assets that it acquires and that it reports on its Consolidated Balance Sheets. SFAS 142 requires that companies amortize intangible assets, such as licenses and trademarks, over their economic useful lives, unless those assets' economic useful lives are indefinite. If an intangible asset's economic useful life is deemed to be indefinite, that asset is not amortized. When the Company acquires an intangible asset, it considers factors such as the asset's history, the Company's plans for that asset, and the market for products associated with the asset. The Company considers these same factors when reviewing the economic useful lives of its existing intangible assets as well. The Company reviews the economic useful lives of its intangible assets at least annually. The determination of the economic useful life of an intangible asset requires a significant amount of judgment and entails significant subjectivity and uncertainty. Also see the subsection of this note entitled "New Accounting Guidance."

Intangible assets consist primarily of goodwill, license agreements and trademarks. The Company amortizes intangible assets using the straight-line method over appropriate periods ranging from five to forty years. The Company recorded amortization of intangible assets totaling $1,329,000, $3,244,000, and $3,450,000 during fiscal 2003, 2002, and 2001, respectively. See Note (3) to these consolidated financial statements for more information about the Company's intangible assets.

(s) Interest income

Interest income is included in "Other income, net" on the Consolidated Statements of Income. Interest income totaled $1,410,000, $727,000, and $931,000 in fiscal 2003, 2002, and 2001, respectively.

(t) Financial instruments

The carrying amounts of cash and cash equivalents, receivables, accounts payable, accrued expenses and income taxes payable approximate fair value because of the short maturity of these items. See Note (5) for management's assessment of the fair value of the Company's guaranteed Senior Notes. The Company hedges a portion of its foreign exchange rate risk by entering into contracts to exchange foreign currencies for U.S. dollars at specified rates. The fair value of such contracts is determined in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." See Note (13) for more information on the Company's hedging activities.

(1) Summary Of Significant Accounting Policies, Continued

(u) Stock-based compensation plans

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require companies to record compensation expense for stock-based compensation plans at fair value. The Company has chosen to account for its stock-based compensation plans using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, the Company recognizes no expense in connection with its stock-based compensation plans, as all stock option grants are made at market value on the date of grant. Income tax benefits attributable to stock options exercised are credited to Additional paid-in-capital. Disclosures about the Company's stock-based compensation plans are included in Note (7) to these consolidated financial statements.

(v) New accounting guidance

On March 1, 2002, the Company adopted EITF 01-9 "Vendor Income Statement Characterization of Consideration Paid to a Reseller of a Vendor's Products." The adoption of EITF 01-9 had no effect on operating income, net earnings, or earnings per share. The following table presents the impact of EITF 01-9 on net sales and SG&A had the standard been in effect for all fiscal years during the three-year period ending February 28, 2003.

	Years Ended February 28, (in thousands)		
	2003	2002	2001
Net sales prior to application of EITF 01-9	$ 462,563	$ 451,249	$ 361,398
Adjustments:			
Slotting fees	(861)	(1,607)	(1,275)
Cooperative advertising arrangements	(2,877)	(2,323)	(2,959)
Net adjustments	(3,738)	(3,930)	(4,234)
Net sales as reported herein	$ 458,825	$ 447,319	$ 357,164
SG&A prior to application of EITF 01-9	$ 161,910	$ 170,733	$ 117,872
Adjustments:			
Slotting fees	(861)	(1,607)	(1,275)
Cooperative advertising arrangements	(2,877)	(2,323)	(2,959)
Net adjustments	(3,738)	(3,930)	(4,234)
SG&A as reported herein	$ 158,172	$ 166,803	$ 113,638

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The Company adopted SFAS 142 on March 1, 2002. SFAS 142 eliminates the amortization of goodwill and other intangible assets that have indefinite useful lives. Amortization will continue to be recorded for intangible assets with definite useful lives. SFAS 142 also requires at least an annual impairment review of goodwill and other intangible assets. Any asset deemed to be impaired is to be written down to its fair value. The Company completed reviews of its goodwill to determine whether any of that goodwill was impaired. Based on the results of these reviews, the Company's goodwill was not impaired as of March 1, 2002 or March 1, 2003. Therefore, it incurred no impairment charge as a result of the adoption of SFAS 142. Because it eliminates the amortization of goodwill, SFAS 142 decreased the Company's SG&A expense by $2,035,000 for the fiscal year ended February 28, 2003.

(1) Summary Of Significant Accounting Policies, Continued

The following tables present the impact of SFAS 142 on net earnings and earnings per share had the standard been in effect for the fiscal years ended February 28, 2003, 2002 and 2001. (in thousands, except per-share amounts):

(in thousands, except per share amounts)	**Years Ended February 28,**		
	2003	2002	2001
Reported net earnings	$ 38,716	$ 29,215	$ 17,332
Adjustments:			
Amortization of Goodwill	—	2,035	2,025
Income tax effect	—	(407)	(405)
Net adjustments	—	1,628	1,620
Adjusted net earnings	$ 38,716	$ 30,843	$ 18,952
Reported earnings per share - basic	$ 1.37	$ 1.04	$ .61
Adjusted earnings per share – basic	$ 1.37	$ 1.10	$ .67
Reported earnings per share – diluted	$ 1.31	$ 1.00	$ .60
Adjusted earnings per share – diluted	$ 1.31	$ 1.06	$ .66

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 requires all business combinations to be accounted for using the purchase method and requires the recognition of intangible assets apart from goodwill if they arise from contractual or legal rights or if they are separable from goodwill. SFAS 141 applies to all business combinations initiated after June 30, 2001. The Company did not enter into any transactions during fiscal 2003 that required the application of SFAS 141. The Company's purchase from The Procter & Gamble Company of four brand names and rights under licenses for two additional brand names was a purchase of specific assets, rather than a business combination.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 requires that legal obligations associated with the retirement of an asset be recorded as liabilities as incurred and capitalized as part of the cost of the associated asset. These obligations are then depreciated over the course of the asset's useful life. The Company believes that SFAS 143 will have no effect on the Company's consolidated financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets" ("SFAS 144"). The Company adopted the provisions of SFAS 144 effective March 1, 2002. SFAS 144 requires that companies consider whether indicators are present that would indicate impairment of any of their long-lived assets. If such indicators are present the company compares the projected future undiscounted cash flows from the asset to its book value. If the cash flows exceed the book value, no further action is necessary. If the book value exceeds the projected undiscounted cash flows, a loss is recognized for the excess of the asset's book value over its fair value. SFAS 144 did not affect the Company's consolidated financial statements as of or for the year ending February 28, 2003.

(1) Summary Of Significant Accounting Policies, Continued

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" ("SFAS 148"). This statement amends Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation" ("SFAS 123") by providing alternative methods of transition to the fair-value-based method of accounting for stock-based employee compensation. It also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures of stock compensation information, including the method used to account for stock-based compensation and the effects of that method on reported financial results in interim, as well as annual, financial statements. The Company accounts for stock-based compensation using the intrinsic value method in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, it recognizes no compensation expense in our financial statements for stock options issued with exercise prices that equal or exceed the cost of our common stock on the date such options are issued. As a result, the Company does not expect the provisions of SFAS 148 covering the transition to fair-value method accounting for stock-based compensation to affect its consolidated financial statements. Beginning with its financial statements as of and for the three months ended May 31, 2003, the Company will make the interim disclosures required by SFAS 148. See Note (7) to these consolidated financial statements for disclosures about the Company's stock-based compensation.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires that a guarantor record a liability for and disclose certain types of guarantees. For certain other guarantees, FIN 45 requires only disclosure in the notes to the financial statements. The Company has not made any of the types of guarantees for which FIN 45 requires that a liability be recorded. However, certain entities whose financial statements are a part of these consolidated financial statements have guaranteed obligations of other entities within the consolidated group. FIN 45 requires disclosure of these guarantees, of the Company's product warranties, and of various indemnity arrangements to which the Company is a party. These disclosures are contained in the notes to our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires that a company with an interest in a variable interest entity include such an entity in its consolidated financial statements if its financial interest in the entity indicates control. The statement applies immediately to interests in all variable interest entities acquired after January 1, 2003. For other variable interest entities, FIN is to be applied effective July 1, 2003. The Company has no interests in entities covered by FIN 46. Therefore, it does not expect FIN 46 to affect its consolidated financial statements.

(2) Property And Equipment

A summary of property and equipment (in thousands) is as follows:

	Estimated Useful Lives (Years)	As of February 28, 2003	2002
Land	—	**$ 12,166**	$ 10,157
Building and improvements	20 – 40	**43,715**	29,315
Computer and other equipment	3 – 5	**10,880**	10,416
Transportation equipment	3 – 5	**3,724**	862
Furniture and fixtures	5 – 15	**6,899**	6,964
		77,384	57,714
Less accumulated depreciation		**(14,302)**	(11,998)
Property and equipment, net		**$ 63,082**	$ 45,716

The Company recorded $3,079,000, $2,865,000 and $3,003,000 of depreciation expense for fiscal 2003, 2002, and 2001, respectively. Capital expenditures totaled $20,865,000, $878,000, and $1,351,000 in fiscal 2003, 2002, and 2001, respectively.

The Company recorded a $158,000 impairment charge in fiscal 2001 related to assets held for sale. The related assets consisted of the Company's former office and warehouse facilities located in El Paso, Texas. The Company sold its former office facility during fiscal 2002. The carrying value of the Company's former warehouse facility is included within the total classified as "Other assets" on the February 28, 2003 and 2002 Consolidated Balance Sheets.

The Company leases 108,000 square feet of warehouse space, as well as various administrative office spaces, from a real estate partnership in which the Chief Executive Officer and another member of the Board of Directors are limited partners. During fiscal 2003, 2002, and 2001, the Company paid the real estate partnership $614,000, $624,000, and $510,540, respectively, under these leases.

(3) Intangible Assets

The following table is a summary, by operating segment, of the Company's goodwill balances as of February 28, 2003 and February 28, 2002.

Total Goodwill by Operating Segment (thousands)

	February 28, 2003			February 28, 2002		
Operating Segment:	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North American	$ 42,212	$ (7,792)	$ 34,420	$ 42,212	$ (7,792)	$ 34,420
International	1,081	(433)	648	1,081	(433)	648
Tactica	6,103	(404)	5,699	6,103	(404)	5,699
Total	$ 49,396	$ (8,629)	$ 40,767	$ 49,396	$ (8,629)	$ 40,767

(3) Intangible Assets, Continued

The following table discloses information regarding the carrying amounts and associated accumulated amortization for intangible assets, other than goodwill.

Intangible Assets (in thousands)

	February 28, 2003			February 28, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Licenses	$ 37,566	$ (10,194)	$ 27,372	$ 15,566	$ (8,888)	$ 6,678
Trademarks	17,259	(211)	17,048	339	(188)	151

(a) February 28, 2003 gross and net carrying amounts include $16,920,000 of trademarks and $18,000,000 of licenses not subject to amortization.

The following table summarizes the amortization expense attributable to intangible assets for the year ending February 28, 2003, 2002, and 2001, as well as estimated amortization expense for the fiscal years ending the last day of February 2004 through 2008.

Aggregate Amortization Expense:	
For the twelve months ended	(in thousands)
February 28, 2003	$ 1,330
February 28, 2002	$ 3,244(a)
February 28, 2001	$ 3,450(a)
Estimated Amortization Expense:	
For the fiscal years ended	
February 2004	$ 1,309
February 2005	$ 1,309
February 2006	$ 1,309
February 2007	$ 1,309
February 2008	$ 1,207

(a) Totals for the twelve months ending February 28, 2002 and 2001 include $2,035,000 and $2,025,000 respectively, of goodwill amortization.

Many of the license agreements under which the Company sells or intends to sell products with trademarks owned by other entities require the Company to pay minimum royalties and make minimum levels of advertising expenditures. For the fiscal year ending February 29, 2004, minimum royalties due and minimum advertising expenditures under these agreements total $3,705,000 and $6,274,000, respectively.

(4) Revolving Line Of Credit

The Company maintains a revolving credit loan with a bank to facilitate short-term borrowings and the issuance of letters of credit. This line of credit allows borrowings totaling $25,000,000, charges interest at the three-month LIBOR rate plus a percentage that varies based on the ratio of the Company's debt to its earnings before interest, taxes, depreciation, and amortization (EBITDA), and expires August 31, 2003. At February 28, 2003 the interest rate charged under the line of credit was 2.31 percent. This line of credit allows for the issuance of letters of credit up to $7,000,000. Any outstanding letters of credit reduce the $25,000,000

(4) Revolving Line Of Credit, continued

maximum borrowing limit on a dollar-for-dollar basis. At February 28, 2003, there were no borrowings under this line of credit and outstanding letters of credit totaled $828,000. The revolving credit agreement provides that the Company must satisfy requirements concerning its minimum net worth, total debt to consolidated total capitalization ratio, debt to EBITDA ratio, and its fixed charge coverage ratio. The Company is in compliance with all of these requirements. Under the terms of the revolving credit agreement, one of the Company's U.S. subsidiaries is the borrower. The consolidated group's parent company, located in Bermuda and three of its U.S. subsidiaries fully guarantee the Revolving Line of Credit on a joint and several basis.

(5) Long-Term Debt

On January 5, 1996, a U.S. subsidiary issued guaranteed Senior Notes at face value of $40,000,000. Interest is paid quarterly at an annual rate of 7.01 percent. The Senior Notes are unsecured, and are guaranteed by Helen of Troy Limited and certain of its subsidiaries. Annual principal payments of $10,000,000 each begin January 5, 2005, with the final payment due January 5, 2008. Using a discounted cash flow analysis based on estimated market rates, the estimated fair value of the guaranteed Senior Notes at February 28, 2003 is approximately $41,465,000.

On July 18, 1997, a U.S. subsidiary of the Company issued a $15,000,000 Senior Note. Interest is paid quarterly at an annual rate of 7.24 percent. The $15,000,000 Senior Note is unsecured, is guaranteed by Helen of Troy Limited and certain of its subsidiaries and is due July 18, 2012. Annual principal payments of $3,000,000 each begin July 18, 2008, with the final payment due July 18, 2012. Using a discounted cash flow analysis based on estimated market rates, the estimated fair value of the guaranteed Senior Note at February 28, 2003 is approximately $16,105,000.

Both the $40,000,000 and $15,000,000 Senior Notes contain covenants that require the Company to meet certain net worth and other financial requirements. Additionally, the notes restrict the Company from incurring liens on any of its properties, except under certain conditions as defined in the Senior Note agreements. The Company is in compliance with all the terms of these notes. Under the terms of the Senior Notes, one of the Company's U.S. subsidiaries is the borrower. The consolidated group's parent company, located in Bermuda, one of its subsidiaries located in Barbados, and three of its U.S. subsidiaries fully guarantee the Senior Notes on a joint and several basis.

See Note (8) to these consolidated financial statements for maturity schedules of principal amounts due under the Senior Notes.

(6) Income Taxes

The components of earnings before income tax expense are as follows:

	Years Ended February 28, (in thousands)		
	2003	2002	2001
U.S.	**$ 14,042**	$ 17,762	$ 4,524
Non-U.S.	**36,704**	20,785	16,366
	$ 50,746	$ 38,547	$ 20,890

The components of income tax expense (benefit) are as follows:

	Years Ended February 28, (in thousands)		
	2003	2002	2001
Current			
U.S.	**$ 3,985**	$ 6,252	$ 2,990
Non-U.S.	**5,465**	1,689	2,716
Deferred	**2,580**	1,391	(2,148)
	$ 12,030	$ 9,332	$ 3,558

(6) Income Taxes, Continued

Total income tax expense differs from the amounts computed by applying the statutory tax rate to earnings before income taxes. The reasons for these differences are as follows:

	Years Ended February 28, (in thousands)		
	2003	2002	2001
Expected tax expense at the U.S. statutory rate of 35%	**$ 17,761**	$ 13,491	$ 7,312
Decrease in income taxes resulting from income from non-U.S. operations subject to varying income tax rates	**(5,731)**	(4,159)	(3,754)
Actual tax expense	**$ 12,030**	$ 9,332	$ 3,558

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at February 28, 2003 and 2002 are as follows:

	2003	2002
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	**$ 746**	$ 1,510
Inventories, principally due to additional cost of inventories for tax purposes	**1,750**	2,164
Accrued expenses	**1,964**	2,246
Accounts receivable	**1,073**	2,679
Total gross deferred tax assets	**5,533**	8,599
Valuation allowance	**(169)**	(1,076)
Deferred tax liabilities:		
Depreciation and amortization	**(2,217)**	(1,796)
Net deferred tax asset	**$ 3,147**	$ 5,727

The Company's gross deferred tax asset of $581,000 attributable to U.S. net operating loss carryforwards expires if not utilized by various dates ranging from fiscal 2019 to 2023. The Company's gross deferred tax asset of $165,000 attributable to non-U.S. net operating loss carryforwards expire at various dates between fiscal 2005 and fiscal 2012. Accounting standards require that deferred income taxes reflect the tax consequences of future tax benefits, including net operating losses, to the extent that realization of such benefits is more likely than not. Certain of the Company's gross deferred tax assets did not, in the opinion of management, meet that standard as of February 28, 2003 and 2002. Therefore, the Company placed a valuation allowance against those assets. Although realization is not assured, management believes it is more likely than not that the remaining net deferred tax assets, including net operating losses, will be realized. The amount of the deferred tax assets considered realizable, however, could be lower if estimates of future taxable income during the carryforward period are reduced. During the fiscal year ended February 28, 2003, the Company removed the valuation allowances that were in place at February 28, 2002. These valuation allowances were related to net operating loss carryforwards of the Company's United Kingdom subsidiary and one of its U.S. subsidiaries. During fiscal 2003, circumstances arose that either allowed the use of such net operating losses or that caused management to believe that it to be more likely than not that they will be used at a future date.

(6) Income Taxes, Continued

The Hong Kong Inland Revenue Department ("the IRD") has assessed $6,753,000 in income tax on certain profits of the Company's foreign subsidiaries for the fiscal years 1995 through 1997. The ultimate resolution of the IRD's claims cannot be predicted with certainty. However, the Company has recorded a liability for the IRD's claims, based on consultations with outside Hong Kong tax experts as to the probability that some or all of the IRD's claims prevail. If the IRD were to assert the same position for later years and that position were to prevail, the resulting tax liability could total $34,101,000 (U.S.) for the period from fiscal 1995 through fiscal 2003. In connection with the IRD's tax assessment, the Company purchased tax reserve certificates in Hong Kong. The certificates were valued at $3,282,000 (U.S.) as of February 28, 2003, or approximately 49 percent of the liability assessed by the IRD for fiscal 1995 through 1997. Tax reserve certificates represent the prepayment of potential tax liabilities by a taxpayer. The amounts paid for tax reserve certificates are refundable in the event that the value of the tax reserve certificates exceeds the related tax liability. These certificates are denominated in Hong Kong dollars and are subject to the risks associated with foreign currency fluctuations. Although the ultimate resolution of the IRD's claims cannot be predicted with certainty, management believes that adequate provision has been made in the financial statements for the resolution of the IRD's claims.

The IRD also assessed $4,468,000 in tax on certain profits of the Company's foreign subsidiaries for fiscal years 1990 through 1994. During the second quarter of the fiscal year ended February 28, 2003, the Company settled its dispute for those years with the IRD for $2,505,000 (56 percent of the assessed amount), plus interest of approximately $100,000. As a result of the assessment, we forfeited tax reserve certificates previously valued at $2,468,000 on our balance sheet and paid approximately $137,000 in cash to the IRD. The tax reserve certificates that we forfeited were included on our Consolidated Balance Sheet as of February 28, 2002 on the line entitled "Other assets, net of accumulated amortization." The settlement did not affect the current status of the IRD's assessments for fiscal years 1995 through 1997 and did not have a material effect on the Company's fiscal 2003 consolidated net earnings.

The Internal Revenue Service ("IRS") is auditing the U.S. federal tax returns of the Company's largest U.S. subsidiary for the fiscal years 1997, 1998, and 1999. The IRS has proposed adjustments to those returns. If the IRS's position with respect to these adjustments were to prevail, the resulting tax liability could total $9,884,000. The Company plans to vigorously contest these adjustments and is engaged in the process of formulating its response. Although the ultimate outcome of the examination cannot be predicted with certainty, management is of the opinion that adequate provision has been made in the consolidated financial statements for the adjustments proposed. The IRS is also auditing the U.S. federal tax returns of the Company's largest U.S. subsidiary for fiscal years 2000, 2001, and 2002. Thus far, the IRS has proposed no adjustments to these tax returns. The Company cannot predict with certainty the results of the IRS examination for these years.

The Company plans to permanently reinvest all of the undistributed earnings of the non-U.S. subsidiaries of the U.S. subsidiaries. The Company has made no provision for U.S. federal income taxes on these undistributed earnings. At February 28, 2003, undistributed earnings for which the Company had not provided deferred U.S. federal income taxes totaled $50,244,000.

(7) Stock-Based Compensation Plans

The Company sponsors four stock-based compensation plans. The plans consist of two employee stock option plans, a non-employee director stock option plan and an employee stock purchase plan. These plans are described below. As all options were granted at or above market prices on the dates of grant, no compensation expense has been recognized for the Company's stock option plans or its stock purchase plan. Had the Company recorded compensation expense for its stock option plans based on the fair value of the options at the dates of grant for those awards, consistent with the method of Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation," net earnings and earnings per share would have been reduced to the following pro forma amounts:

		Years Ended February 28,		
		2003	2002	2001
Net Income:	As Reported	$ 38,716,000	$ 29,215,000	$ 17,332,000
	Fair-value cost	7,004,000	7,416,000	4,830,000
	Pro forma	$ 31,712,000	$ 21,799,000	$ 12,502,000
Earnings per share:				
	Basic: As Reported	$ 1.37	$ 1 .04	$ .61
	Pro forma	$ 1.12	$ .78	$ .44
	Diluted: As Reported	$ 1.31	$ 1.00	$ .60
	Pro forma	$ 1.07	$ .75	$ .44

The Company computed the pro forma figures disclosed above using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in fiscal 2003, 2002, and 2001, respectively; expected dividend yields of zero for all years; expected volatility of 39.6 percent for fiscal 2003, 40.8 percent for fiscal 2002, and 34.9 percent for fiscal 2001, risk-free interest rates of 4.1 percent for fiscal 2003, 4.7 percent for fiscal 2002, and 4.9 percent for fiscal 2001 and expected lives of 3, 4, 5 or 10 years depending on the option granted.

Under stock option and restricted stock plans adopted in 1994 and 1998 (the "1994 Plan" and the "1998 Plan," respectively) the Company reserved a total of 14,000,000 shares of its common stock for issuance to key officers and employees. Pursuant to the 1994 and 1998 Plans, the Company grants options to purchase its common stock at a price equal to or greater than the fair market value on the grant date. Both plans contain provisions for incentive stock options ("ISOs"), non-qualified stock options ("Non-Qs") and restricted stock grants. Generally, options granted under the 1994 and 1998 Plans become exercisable immediately, or over a one, four or five-year vesting period and expire on a date ranging from seven to ten years from their date of grant.

Under a stock option plan for non-employee directors (the "Directors' Plan"), adopted in fiscal 1996, the Company reserved a total of 980,000 shares of its common stock for issuance to non-employee members of the Board of Directors. The Company grants options under the Directors' Plan at a price equal to the fair market value of the Company's common stock at the date of grant. Options granted under the Directors' Plan vest one year from their date of issuance and expire ten years after issuance.

(7) Stock-Based Compensation Plans, Continued

A summary of stock option activity under all plans is as follows:

	Years Ended February 28,					
	2003		2002		2001	
	Shares (000S)	**Weighted Average Exercise Price**	Shares (000s)	Weighted Average Exercise Price	Shares (000s)	Weighted Average Exercise Price
Options outstanding, beginning of year	**7,323**	**$ 10.53**	6,203	$ 10.52	5,441	$ 11.96
Options granted	**1,384**	**12.33**	1,353	10.26	1,273	5.95
Options exercised	**(56)**	**10.00**	(108)	6.57	(12)	4.31
Options forfeited	**(36)**	**9.09**	(125)	10.25	(499)	14.78
Options outstanding, at year end	**8,615**	**10.83**	7,323	10.53	6,203	10.52
Options exercisable at year-end	**7,566**	**$ 10.66**	5,870	$ 9.96	4,362	$ 9.01
Weighted-average fair value of options granted during the year		**$ 6.28**		$ 5.74		$ 3.00

The following table summarizes information about stock options at February 28, 2003:

	Outstanding Stock Options				Exercisable Stock Options	
	Number of Options	Price Range	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
	------------	----------------	------------	------------	------------	------------
ISOs						
	290,204	$4.13 to $6.97	5.41	$ 5.85	85,882	$ 5.35
	217,193	$7.90 to $13.63	6.05	11.81	81,593	11.80
	235,426	$14.02 to $23.91	5.96	14.45	44,706	16.04
Total	742,823		5.77	$ 10.32	212,181	$ 10.08
Non-Qs						
	2,575,272	$4.13 to $7.09	4.85	$ 5.29	2,520,672	$ 5.28
	2,295,419	$9.17 to $13.13	8.79	11.54	2,284,419	11.54
	2,593,224	$13.46 to $20.00	5.51	15.63	2,229,084	15.64
Total	7,463,915		6.29	$ 10.80	7,034,175	$ 10.60
Directors' Plan						
	228,000	$4.41 to $12.63	8.04	$ 9.55	160,000	$ 8.75
	180,000	$13.03 to $17.63	5.36	15.69	160,000	16.02
Total	408,000		6.86	$ 12.26	320,000	$ 12.39

(7) Stock-Based Compensation Plans, Continued

In fiscal 1999 the Company's shareholders approved an employee stock purchase plan (the "Stoc Purchase Plan") under which 500,000 shares of common stock are reserved for issuance to the Company's employees, nearly all of whom are eligible to participate. Under the terms of the Stock Purchase Plan employees authorize the Company to withhold from 1 percent to 15 percent of their wages or salaries to purchase the Company's common stock. The purchase price for stock purchased under the plan is equal to the lower of 85 percent of the stock's fair market value on either the first day of each option period or the last day of each period. During fiscal 2003, employees purchased 19,828 shares of common stock from the Company under the stock purchase plan.

(8) Commitments And Contingencies

Under agreements with customers, licensors, and parties from whom it has acquired assets or entered into business combinations, the Company indemnifies these parties against liability associated with the Company's products. Additionally, the Company is party to a number of agreements under leases whereby it indemnifies lessors for liabilities attributable to the Company's action or conduct. The indemnity agreements to which it is a party do not, in general, increase the Company's liability for claims related to its products or actions and have not affected materially the Company's consolidated financial position as of February 28, 2003 and 2002 or its consolidated earnings and cash flows for the years ended February 28, 2003, 2002, and 2001.

Helen of Troy Limited, the parent company of the consolidated group, has guaranteed two commitments of its subsidiary based in the United Kingdom ("the UK"). Under one of the guarantees, the parent company guaranteed a commitment by the UK subsidiary to purchase a new office facility. Under this guarantee, the parent company is liable for up to 1,150,000 British pounds, should the UK subsidiary fail to fulfill its obligations under its purchase agreement. Under the second arrangement with a marketing company used by the UK subsidiary, the parent company guaranteed up to 600,000 British pounds on behalf of the UK subsidiary. No liability is recorded on the February 28, 2003 Consolidated Balance Sheet for either of the parent company guarantees on behalf of the UK subsidiary.

The Company's 55-percent owned subsidiary, Tactica International, Inc. ("Tactica") leases office space in New York City. One of the Company's U.S. subsidiaries has issued a $389,000 standby letter of credit to the lessor. The lessor may draw funds from the standby letter of credit if Tactica fails to pay its rent due under the lease. The standby letter of credit decreases to $195,000 on April 30, 2005 and expires on the same date as the related lease, February 27, 2006.

The Company has employment contracts with certain of its officers. These agreements provide for minimum salary levels and potential incentive bonuses. One agreement automatically renews itself each month for a five-year period and provides that in the event of a merger, consolidation or transfer of all or substantially all of the assets of the Company to an unaffiliated party, the officer may make an election to receive a cash payment for the balance of the obligations under the agreement. The expiration dates for these agreements range from March 15, 2004 to February 28, 2008. The aggregate commitment for future salaries pursuant to such contracts, at February 28, 2003, excluding incentive compensation, was approximately $4,000,000.

The Company purchases most of the appliances and products that it sells from unaffiliated manufacturers located in the Far East, principally in the Peoples' Republic of China, Thailand, Taiwan and South Korea. Due to the fact that most of its products are manufactured in the Far East, the Company is subject to risks associated with trade barriers, currency exchange fluctuations, and political unrest. These risks have not historically affected the Company's operations. Additionally, the Company's management believes that it could obtain its products from facilities in other countries, if necessary. However, the relocation of production capacity could require substantial time and could result in increased costs.

The Company regularly enters into arrangements with customers whereby it offers those customers incentives, including incentives in the form of volume rebates. The Company's estimate of its liability for such incentives is included on its Consolidated Balance Sheets on the line entitled "Accrued liabilities" and is based on incentives applicable to sales up to the respective balance sheet dates.

(8) Commitments And Contingencies, Continued

In the fourth quarter of fiscal 2001, the Company recorded a $2,457,000 charge for the remaining unamortized costs under a distribution agreement (which was later formally terminated) with The Schawbel Corporation ("Schawbel"), the supplier of the Company's butane hair care products. In a related matter, in September 1999, Schawbel commenced litigation in the U.S. District Court for the District of Massachusetts against The Conair Corporation ("Conair"), the predecessor distributor for Schawbel's butane products. In its action, amended in June 2000, Schawbel alleged, among other things, that Conair, following Schawbel's termination of the Conair distribution agreement, stockpiled and sold Schawbel product beyond the 120 day "sell-off" period afforded under the agreement, and manufactured, marketed and sold its own line of butane products which infringed patents held by Schawbel. In November 2000, the Massachusetts court granted Schawbel its request for preliminary injunction, and ordered that Conair cease selling all allegedly infringing products. The Company intervened as a plaintiff in the action to assert claims against Conair similar to the claims raised by Schawbel. The Company is seeking to recover damages in excess of $10 million, arising from the Company's inability to meet minimum purchase requirements under its distribution agreement with Schawbel and the subsequent termination of that agreement by Schawbel. Conair responded by filing a counterclaim alleging that the Company conspired with Schawbel to unlawfully terminate Conair's distribution agreement with Schawbel, and to disparage Conair's reputation in the industry. The counterclaim seeks $15 million in damages. Although the ultimate outcome of the matter cannot be predicted, the Company contends that Conair's counterclaims lack validity. The Company intends to pursue vigorously its claims and defense in the litigation.

The Company is also involved in various other legal claims and proceedings in the normal course of operations. In the opinion of management, the outcome of these matters will not have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company and its subsidiaries.

One of the Company's subsidiaries is a party to a stockholders' agreement with the former owners of Tactica, who retained a 45% interest in Tactica (collectively the "other Tactica stockholders"). Under the terms of the stockholders' agreement, the Company has been granted the right to initiate a process whereby it can purchase, and the other Tactica stockholders are required to sell, the shares they own. In addition, the other Tactica stockholders have the right to initiate a process regarding the sale of their remaining interest in Tactica. The Company may elect at its option not to purchase the shares owned by the other Tactica stockholders and under the terms of the stockholders' agreement the parties will then be required to initiate a procedure under which the entire business of Tactica would be offered for sale to third parties. In either case, the purchase price will be based upon fair market value as determined by independent appraisal. A sale to a third party would be subject to the approval of the other Tactica stockholders and the Company.

Under the terms of a Shareholders' Rights Plan approved by the Board of Directors in fiscal 1999, the Board of Directors declared a dividend of one preference share right ("Right") for each outstanding share of Common Stock. The dividend resulted in no cash payment by the Company, created no liability on the part of the Company and did not change the number of shares of Common Stock outstanding. The Rights are inseparable from the shares of Common Stock and entitle the holders to purchase one one-thousandth of a share of Series A First Preference Shares ("Preference Shares"), par value $1.00, at a price of $100 per one-one thousandth of a Preference Share. Should certain persons or groups of persons ("Acquiring Persons") acquire more than 15% of the Company's outstanding Common Stock, the Board of Directors may either adjust the price at which holders of Rights may purchase Preference Shares or may redeem all of the then outstanding Rights at $.01 per Right. The Rights associated with the Acquiring Person's shares of Common Stock would not be exercisable. The Rights have certain anti-takeover effects. The Rights could cause substantial dilution to a person or group that attempts to acquire the Company in certain circumstances, but should not interfere with any merger or other business combination approved by the Board of Directors. The Rights expire December 1, 2008, unless their expiration date is advanced or extended or unless the Rights are earlier redeemed or exchanged by the Company.

(8) Commitments And Contingencies, Continued

The Company's contractual obligations and commercial commitments, as of February 28, 2003 were:

	Payments Due By Period (In 000s)						
Contractual Obligations	Total	1 year	2 years	3 years	4 years	5 years	5 years
Long-term debt	$ 55,000	—	10,000	10,000	10,000	10,000	15,000
Open purchase orders – inventory	68,249	68,249	—			—	—
Minimum royalty payments	24,830	3,705	3,829	3,260	2,658	2,658	8,720
Advertising commitments under license agreements	23,775	6,274	5,724	5,705	868	878	4,326
Management fees - Corporate jet	1,811	362	362	363	362	362	—
Operating leases	3,678	1,960	894	818	6	—	—
New office facility in UK	1,800	1,800	—	—	—	—	—
Purchase of software	1,113	1,113	—	—	—	—	—
Total contractual obligations	$180,256	83,463	20,809	20,146	13,894	13,898	28,046

(9) Fourth Quarter Charges/Transactions

In the fourth quarter of fiscal 2001, the Company recognized $2,457,000 in pre-tax charges due to the planned discontinuance of a product. See Note (8) to these consolidated financial statements for further discussion of this issue. The Company's fourth quarter fiscal 2001 results also included a $1,895,000 reduction in SG&A due to the settlement of a license obligation for which the Company accrued a liability in fiscal 2000.

The Company's results for the fourth quarters of fiscal 2003 and 2002 do not contain any transactions of a non-routine nature.

(10) Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data is as follows (in thousands, except per share amounts):

	Unaudited -- see accompanying accountants' report				
	May	August	November	February	Total
Fiscal 2003:					
Net sales	$ 102,483	$ 111,058	$ 142,998	$ 102,286	$ 458,825
Gross profit	49,515	50,910	65,413	45,193	211,031
Net earnings	6,591	8,876	16,791	6,458	38,716
Earnings per Share					
Basic	.23	.31	.60	.23	1.37
Diluted	.22	.30	.57	.22	1.31
Fiscal 2002:					
Net sales	$ 91,383	$ 112,688	$ 141,788	$ 101,460	$ 447,319
Gross profit	41,979	55,602	64,170	46,709	208,460
Net earnings	4,591	7,303	12,967	4,354	29,215
Earnings per Share					
Basic	.16	.26	.46	.15	1.04
Diluted	.16	.25	.44	.15	1.00

The business of the Company is somewhat seasonal. Between 54 percent and 57 percent of annual sales volume normally occurs in the second and third fiscal quarters.

(11) Segment Information

The following table contains segment information for fiscal 2003, 2002, and 2001.

(in thousands)

2003	North American	International	Tactica	Corporate / Other	Total
Net sales	$ 345,992	$ 33,759	$ 79,074	$ —	$ 458,825
Operating income (loss)	49,554	2,995	2,657	(2,347)	52,859
Identifiable assets	337,596	26,049	27,928	14,056	405,629
Capital, license, and trademark expenditures	54,100	5,414	189	82	59,785
Depreciation and amortization	4,577	1,331	136	514	6,558

2002	North American	International	Tactica	Corporate / Other	Total
Net sales	$ 308,738	$ 29,906	$ 108,675	$ —	$ 447,319
Operating income (loss)	32,203	(244)	11,930	(2,232)	41,657
Identifiable assets	287,897	21,248	17,184	31,229	357,558
Capital / license expenditures	647	111	120	—	878
Depreciation and amortization	6,665	1,442	256	267	8,630

2001	North American	Corporate / International	Tactica	Other	Total
Net sales	$ 307,764	$ 25,390	$ 24,010	$ —	$ 357,164
Operating income (loss)	28,736	94	(4,629)	(1,205)	22,996
Identifiable assets	273,068	24,331	19,943	19,839	337,181
Capital / license expenditures	3,056	125	4	—	3,185
Depreciation and amortization	7,537	372	228	—	8,137

The North American segment sells hair care appliances, other personal care appliances, including massagers and spa products, hairbrushes, combs, and utility and decorative hair accessories in the U.S. and Canada. The International segment sells hair care appliances, personal care appliances, hairbrushes, combs, and hair accessories in other countries. Tactica sells a variety of personal care and other consumer products directly to customers and to retailers. The column above entitled "Corporate / other" contains items not allocated to any specific operating segment.

Operating profit for each operating segment is computed based on net sales, less cost of goods sold, less any selling, general, and administrative expenses associated with the segment. The selling, general, and administrative expense totals used to compute each segment's operating profit are comprised of SG&A expense directly associated with those segments, plus overhead expenses that are allocable to operating segments. Other items of income and expense, including income taxes, are not allocated to operating segments.

(11) Segment Information, Continued

The Company's domestic and international net revenues from third parties and long-lived assets are as follows:

	2003	2002	2001
Net Revenues From Third Parties:			
United States	$ 412,040	$ 405,060	$ 319,096
International	46,785	42,259	38,068
Total	458,825	447,319	357,164
Long-Lived Assets:			
United States	150,193	91,868	94,890
International	20,600	22,020	21,910
Total	$ 170,793	$ 113,888	$ 116,800

Sales to one customer and its affiliate accounted for 24 percent, 22 percent, and 23 percent of the Company's net sales in fiscal 2003, 2002, and 2001, respectively. Of the Company's total sales to that customer and its affiliate, 92 percent, 98 percent, and 99 percent, respectively were made by the North American segment during fiscal 2003, 2002, and 2001, respectively. Tactica made the remainder of the Company's sales to this customer and its affiliate.

(12) Acquisition Of Trademarks And Of Rights Under License Agreements

On October 21, 2002, the Company acquired from The Procter & Gamble Company the right to sell products under six trade names. The Company acquired all rights to the trademarks, formulas, and production processes for four of the six trade names; Ammens(R), Vitalis(R), Condition 3-in-1(R), and Final Net(R). The Procter & Gamble Company assigned the Company its rights under licenses to sell products bearing the other two trade names; Sea Breeze(R) and Vitapointe(R). The Sea Breeze(R) license is perpetual. The portion of the purchase price assigned to the four trademarks purchased is included on the Company's February 28, 2003 consolidated balance sheet on the line entitled "Trademarks, at cost, net of accumulated amortization." The Company concluded that the useful economic lives of these trademarks are indefinite, meaning that these trademarks are not subject to amortization. This conclusion was reached after consideration of the history of the brands and of plans and forecasts for sales of products under these trademarks. The portion of the purchase price assigned to the rights obtained under the Sea Breeze(R) and Vitapointe(R) licenses appears on the Company's February 28, 2003 consolidated balance sheet on the line entitled "License agreements, at cost less accumulated amortization." After consideration of the fact that the Sea Breeze(R) license is perpetual and an analysis of the history of the brand as well as the Company's plans and forecasts with respect to the brand, the Company determined that the Sea Breeze(R) license has an indefinite economic useful life. Therefore, it is not subject to amortization. The Vitapointe(R) license expires on December 31, 2010. Although, its long-range expectation is to renew the Vitapointe(R) license upon its expiration, the Company determined that the finite nature of this license indicates that it has a definite life and is, therefore subject to amortization. The Company expects annual amortization expense associated with the Vitapointe(R) license to be approximately $125,000.

(13) Forward Contracts

The Company's functional currency is the U.S. dollar. Because it operates internationally, the Company is subject to foreign currency risk from transactions denominated in currencies other than the U.S. dollar ("foreign currencies"). Such transactions include sales and certain inventory purchases. As a result of such transactions, portions of the Company's cash, trade accounts receivable, and trade accounts payable are denominated in British pounds or Euros. These sales were primarily denominated in the British pound sterling and the Euro. The Company makes most of its inventory purchases from the Far East and uses the U.S. dollar for such purchases.

The Company identifies foreign currency risk by regularly monitoring its foreign currency-denominated transactions and balances. During fiscal 2003, the Company hedged against foreign currency exchange rate risk by entering into forward contracts to exchange a total of 5,000,000 British pounds for U.S. dollars at rates ranging from 1.5393 to 1.548 dollars per British pound. At February 28, 2003, one forward contract to exchange 1,000,000 British pounds for U.S. dollars at a rate of 1.5393 U.S. dollars per British pound remained outstanding. The line item entitled "Other income, net" in the Consolidated Statements of Income includes $34,000 of expense associated with hedges of foreign currency risk.

(14) non-monetary transactions

During fiscal 2003, the Company entered into two non-monetary transactions in which it exchanged inventory with a net book value of approximately $3,100,000 for advertising credits. As a result of these transactions, the Company recorded both sales and cost of goods sold equal to the inventory's net book value. The Company used approximately $600,000 of the advertising credits during fiscal 2003 and expects to use the remaining advertising credits by February 28, 2004. The remaining credits are valued at $2,500,000 on the Company's Consolidated Condensed Balance Sheet at February 28, 2003 and are included in the line item entitled "Prepaid expenses."

HELEN OF TROY LIMITED AND SUBSIDIARIES

Schedule II

Valuation and Qualifying Accounts

Years ended February 28, 2003, February 28, 2002 and February 28, 2001
(in thousands)

		Additions			
Descriptionnnn	Balance at Beginning of Year	Charged to cost and expenses	Recoveries	Write-off of uncollectible accounts	Balance at End of Year
Year ended February 28, 2003					
Allowance for accounts receivable	$5,794	$2,929	$ 77	$ 3,693	$5,107
Year ended February 28, 2002					
Allowance for accounts receivable	4,081	1,969	22	278	5,794
Year ended February 28, 2001					
Allowance for accounts receivable	2,514	2,469	63	965	4,081

Item 9. Changes In And Disagreements With Accountants On Accounting and Financial Disclosure
Not applicable.

PART III

Item 10. Directors And Executive Officers Of The Registrant

Information in the Company's Proxy Statement, which will be filed within 120 days of the end of the Company's 2003 fiscal year, is incorporated herein by reference in response to this Item 10.

Item 11. Executive Compensation

Information in the Company's Proxy Statement, which will be filed within 120 days of the end of the Company's 2003 fiscal year, is incorporated herein by reference in response to this Item 11.

Item 12. Security Ownership Of Certain Beneficial Owners And Management

Information in the Company's Proxy Statement, which will be filed within 120 days of the end of the Company's 2003 fiscal year, is incorporated herein by reference in response to this Item 12.

Item 13. Certain Relationships And Related Transactions

Information in the Company's Proxy Statement, which will be filed within 120 days of the end of the Company's 2003 fiscal year, is incorporated herein by reference in response to this Item 13.

Item 14. Controls And Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

During the 90-day period prior to the date of this report, an evaluation was performed under the supervision and with the participation of our Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective. Subsequent to the date of this evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, and no corrective actions taken with regard to significant deficiencies or material weaknesses in such controls.

Item 16. Principal Accountant Fees And Services

Information in the Company's Proxy Statement, which will be filed within 120 days of the end of the Company's 2003 fiscal year, is incorporated herein by reference in response to this Item 16.

PART IV

Item 15. Exhibits, Financial Statements Schedule, And Reports On Form 8-K

(a) Exhibits

3. Exhibits

3.1 Memorandum of Association (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-4, File No. 33-73594, filed with the Securities and Exchange Commission on December 30, 1993 (the "1993 S-4")).

3.2 Bye-Laws (incorporated by reference to Exhibit 3.2 of the 1993 S-4).

4.1 Rights Agreement, dated as of December 1, 1998, between Helen of Troy Limited and Harris Trust and Savings Bank, as Rights Agent (incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 4, 1998).

10.1** Form of Directors' and Executive Officers' Indemnity Agreement (incorporated by reference to Exhibit 10.2 to the 1993 S-4).

10.2** 1994 Stock Option and Restricted Stock Plan (incorporated by reference to Exhibit 10.1 to the 1993 S-4).

10.3 Revlon Consumer Products Corporation (RCPC) North American Appliances License Agreement dated September 30, 1992 (incorporated by reference to Exhibit 10.31 to Helen of Troy Corporation's Quarterly Report on Form 10-Q for the period ending November 30, 1992 (the "November 1992 10-Q")).

10.4 Revlon Consumer Products Corporation (RCPC) International Appliances License Agreement dated September 30, 1992 (incorporated by reference to Exhibit 10.32 to the November 1992 10-Q).

10.5 Revlon Consumer Products Corporation (RCPC) North American Comb and Brush License Agreement dated September 30, 1992 (incorporated by reference to Exhibit 10.33 to the November 1992 10-Q).

10.6 Revlon Consumer Products Corporation (RCPC) International Comb and Brush License Agreement dated September 30, 1992 (incorporated by reference to Exhibit 10.34 to the November 1992 10-Q).

10.7 First Amendment to RCPC North America Appliance License Agreement, dated September 30, 1992 (incorporated by reference to Exhibit 10.26 to Helen of Troy Corporation's Annual Report on Form 10-K for the period ending February 28, 1993 (the "1993 10-K").

10.8 First Amendment to RCPC North America Comb and Brush License Agreement, dated September 30, 1992 (incorporated by reference to Exhibit 10.27 to the 1993 10-K).

10.9 First Amendment to RCPC International Appliance License Agreement, dated September 30, 1992 (incorporated by reference to Exhibit 10.28 to the 1993 10-K).

10.10 First Amendment to RCPC International Comb and Brush License Agreement, dated September 30, 1992 (incorporated by reference to Exhibit 10.29 to the 1993 10-K).

10.11 Amended and Restated Note Purchase, Guaranty and Master Shelf Agreement, $40,000,000 7.01% Guaranteed Senior Notes and $40,000,000 Guaranteed Senior Note Facility (incorporated by reference to Exhibit 10.23 to Helen of Troy Limited's Quarterly Report on Form 10-Q for the period ending November 30, 1996).

10.12**Helen of Troy Limited 1998 Employee Stock Option and Restricted Stock Plan (incorporated by reference to Exhibit 4.3 to Helen of Troy Limited's Registration Statement on Form S-8, File Number 333-67349, filed with the Securities and Exchange Commission on November 6, 1998 (the "1998 S-8").

10.13**Helen of Troy Limited 1998 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.3 of the 1998 S-8).

10.14**Amended and Restated Employment Agreement between Helen of Troy Limited and Gerald J. Rubin, dated March 1, 1999 (incorporated by reference to Exhibit 10.29 to Helen of Troy Limited's Quarterly Report on Form 10-Q for the period ending August 31, 1999 (the "August 1999 10-Q")).

10.15**Amended and Restated Helen of Troy Limited 1995 Non-Employee Director Stock Option Plan (incorporated by reference to Exhibit 10.30 to the August 1999 10-Q).

10.16 Loan Agreement, dated December 31, 1996, between Helen of Troy L.P. and Texas Commerce Bank National Association (incorporated by reference to Exhibit 10.21 to Helen of Troy Limited's Quarterly Report on Form 10-Q for the period ending August 31, 2001 (the "August 2001 10-Q")).

10.17 First Amendment, dated July 31, 1997, to Loan Agreement between Helen of Troy L.P, and Texas Commerce Bank National Association (incorporated by reference to Exhibit 10.22 of the August 2001 10-Q).

10.18 Second Amendment, dated July 31, 1998 to Loan Agreement between Helen of Troy L.P. and Chase Bank of Texas National Association (incorporated by reference to Exhibit 10.23 of the August 2001 10-Q).

10.19 Third Amendment, dated July 31, 2000 to Loan Agreement between Helen of Troy L.P. and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.24 of the August 2001 10-Q).

10.20 Fourth Amendment, dated July 31, 2001 to Loan Agreement between Helen of Troy L.P. and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.25 of the August 2001 10-Q).

10.21 Fifth Amendment, dated August 31, 2001 to Loan Agreement between Helen of Troy L.P. and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.26 of the August 2001 10-Q).

10.22**Helen of Troy 1997 Cash Bonus Performance Plan (incorporated by reference to Exhibit 10.26 of Helen of Troy Limited's Annual Report on Form 10-K for the period ended February 28, 2002 (the "2002 10-K")).

10.23 Stockholders Agreement dated March 14, 2000 by and among Tactica International, Inc., Helen of Troy, LLC, Avi Sivan, Prem Atma Ramchandani, Avraham Ovadia, and APA International, LLC (incorporated by reference to Exhibit 10.27 of the 2002 10-K).

10.24* Master License Agreement dated October 21, 2002, between The Procter & Gamble Company and Helen of Troy Limited (Barbados) (Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Commission).

21* Subsidiaries of the Registrant.

23* Independent Auditors' Consent.

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*filed herewith

** Indicates management contract or compensatory plan or arrangement

(b) The following documents are filed as part of the report:

1. Financial Statements

Independent Auditors' Report
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

2. Schedule: Schedule II - Valuation and Qualifying Accounts

(c) Reports on Form 8-K
The Company filed no reports on Form 8-K during the three months ended February 28, 2003.

The registrant will send its annual report to security holders and proxy solicitation material subsequent to the filing of this form and shall furnish copies of both to the Commission when they are sent to security holders.

SIGNATURES

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

HELEN OF TROY LIMITED

By: /s/ Gerald J. Rubin
Gerald J. Rubin, Chairman,
Chief Executive Officer and Director

Dated May 29, 2003

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

Signature	Title	Date
/s/ Gerald J. Rubin (Gerald J. Rubin)	Chairman of the Board, Chief Executive Officer, President, and Director (Principal Executive Officer)	May 29,2003
/s/ Russell G. Gibson (Russell G. Gibson)	Senior Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	May 29, 2003
/s/ Stanlee N. Rubin (Stanlee N. Rubin)	Director	May 29, 2003
/s/ Christopher L. Carameros (Christopher L. Carameros)	Director	May 29, 2003

Signature	Title	Date
/s/ Byron H. Rubin (Byron H. Rubin)	Director	May 29, 2003
/s/ Daniel C. Montano (Daniel C. Montano)	Director	May 29, 2003
/s/ Gary B. Abromovitz (Gary B. Abromovitz)	Director	May 29, 2003
/s/ John B. Butterworth (John B. Butterworth)	Director	May 29, 2003

Helen of Troy Limited and Subsidiaries
Corporate Officers and Directors

Board of Directors

Gerald J. Rubin
Chairman, Chief Executive Officer and President

Stanlee N. Rubin
Director

Daniel C. Montano
Director

Christopher L. Carameros
Director

Byron H. Rubin
Director

Gary B. Abromovitz
Director

John B. Butterworth
Director

Officers

Gerald J. Rubin
Chairman, Chief Executive Officer and President

Arthur A. August
Executive Vice President, Sales, Marketing – Appliances & Professional Division

Christopher L. Carameros
Executive Vice President, Finance, Accessories, International & Idelle Labs

Donald Hall
Senior Vice President, Manufacturing

Robert D. Spear
Senior Vice President and Chief Information Officer

Rosanna Hall
Senior Vice President, Purchasing

Kevin James
Senior Vice President, International

Michael Cafaro
Senior Vice President, New Product Development and Engineering

Jack Jancin
Senior Vice President, Idelle Labs

James R. Cooper
Vice President, Product Procurement and Forecasting

Felix Chavez
Vice President, Sales Operations

Robert C. Johnson
Vice President, Management Information Systems

Stuart Fox
Vice President, Sales – Appliances

Scott Thrasher
Vice President, Sales – Appliances

Vincent Carson
Vice President, General Counsel & Secretary

Joann Mangold
Vice President, Marketing – Professional Division

Scott Hagstrom
Vice President, Sales – Professional Division

John Boomer
Vice President, Corporate Business Development

Perry Sansone
Vice President, Sales – Idelle Labs

Deanna Nasser
Treasurer

Helen of Troy®

CONSUMER AND PROFESSIONAL BRANDING

Revlon Pro Stylist™ Anti-static ION™ Dryer

Helen of Troy brands have become some of the most trusted names in beauty and personal care items throughout the world. This trust has been earned through years of Helen of Troy's successful representation of these major consumer brand names.

Vidal Sassoon Ionizer™ Dryer with Concentrator

Helen of Troy markets a wide range of products under the Vidal Sassoon banner, a name that has been at the forefront of hair fashion and design for more than 40 years. Helen of Troy builds on this solid foundation, marketing combs, brushes, accessories, as well as hair care appliances like the family of professional Gold Series® styling products, a line of dryers incorporating Ionic Technology™, and a new selection of hair straighteners and irons with breakthrough Ceramic Technology™.

Vidal Sassoon Gold Series® 2 1/4″ Straightener with Ceramic

Helen of Troy also capitalizes on Revlon's recognized leadership position in hair and personal care products, which is based on the trade name's image of lasting beauty and glamour. With instant brand recognition and innovative product designs such as new styling tools that combine digital and Ceramic Technology™, Revlon has always been and will continue to be a powerful shelf presence in the spa, hair and personal care markets.

Revlon MoistureStay™ Facial Sauna with Soft-feel™ Guard

Revlon Perfect Heat® 1″ Straightener with Ceramic

In addition, Helen of Troy produces a variety of personal wellness items under the Dr. Scholl's brand, a long-trusted name in foot care, which has quickly expanded into the areas of therapeutic care for the entire body. Helen of Troy is dedicated to advancing technologies and expanding market share within the personal wellness category with innovative products ranging from body and foot massagers using Ionic™ and hot and cold therapeutic technologies to soothing footbaths with a revolutionary "water heat-up" feature.

Dr. Scholl's Ultimate Foot Spa with Water Heat Up

VIDAL SASSOON · REVLON · Dr.Scholl's · Sunbeam · wave RAGE · HOT TOOLS PROFESSIONAL · wigo Europe · Helen of Troy PROFESSIONAL

The Company continues to market under such trusted brand names as Sunbeam, a household name for decades, by expanding on an extensive line of personal hair care appliances with the introduction of a complete selection of relaxation products that includes foot baths and body massagers. Helen of Troy's years of experience and Sunbeam's name recognition allow the Company to expand its reach and growth in the home hair care, clipper and personal wellness markets.

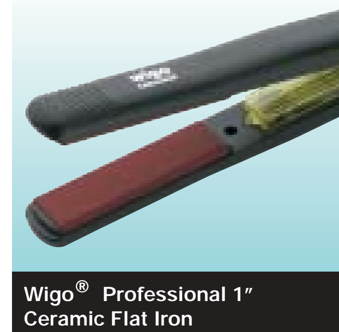
Sunbeam Mid-Size Turbo Dryer

Wave Rage™ Palm It™ Dryer

Helen of Troy is also making inroads into the growing teen market. The Wave Rage product line is specifically geared for this market through the use of hot colors and edgy designs in everything from styling irons and straighteners to facial saunas, providing teenagers the tools they need for their favorite styles.

Helen of Troy's professional division is expanding market share through high-quality Hot Tools®, Wigo®, and Ecstasy® personal care and hair care products. New styling tools that fully capitalize on the benefits of Ceramic Technology™ and dryers with Ionic Technology™ can be found in salons worldwide. These and other new products contribute heavily to the professional division's growth from strong brand names, excellent performance, high quality and unique features.

Hot Tools® Professional 1 1/2″ Softheat Ceramic Flat Iron


Wigo® Professional 1″ Ceramic Flat Iron

Vidal Sassoon Brushes and Accessories

Helen of Troy also satisfies consumer demand in all hair styling categories with a variety of brushes, combs, mirrors, and hair accessories under the Vidal Sassoon brand, while the Revlon family of brushes, combs and mirrors has been established as a trusted and well-recognized beauty-oriented product line.

The Company's Karina brand is extending into high-end and professional market segments with a new line of unique Ceramic / Ionic™ brushes. The dcnl, Nandi and Isobel brands continue their well-earned reputation for high quality with complete fashion hair care accessories and product selections.

Karina and dcnl Brushes and Accessories

SALON EDITION · HOTSPA by HELEN OF TROY · Gallery Series · ecstasy · KARINA · isobel™ · nandi · Solingen

Helen of Troy Products

Dr. Scholl's Ionic Rejuvenator™ Foot Massager with Heat

Helen of Troy builds brand recognition and loyalty through the use of television- and print-media advertising, including consumer and trade magazines and various industry trade shows that increase the name recognition of Helen of Troy and all its associated trademarks. This enables the Company to expand market share, capture additional shelf space, and enter new markets domestically and worldwide.

PRODUCT INNOVATIONS

Revlon Style-to-Go™ Palm Straightener with Ceramic

Over the years, Helen of Troy has developed ground-breaking technologies that have become industry standards. New Ceramic Technology™ styling tools help hair retain moisture by radiating far-infrared heat, which is less damaging to the hair and offers performance superior to regular styling tools. The Company also continues the tradition of bringing salon technology to the mass market with a variety of Ionic Technology™ products that use the benefits of hair-conditioning negative ions.

Revlon Perfect Heat® Styling Iron with Ceramic

Another example of the Company's commitment to innovation is the revolutionary HotSpa® Ozone Foot Spa which uses ozone to safely and naturally keep water free from bacteria and impurities. Helen of Troy strives to lead the way in technological excellence, offering the finest styling and personal care products in the market today.

HotSpa® Ozone Foot Bath

Building on successes with consumer appliances, Helen of Troy has also acquired six well-known consumer brands from The Procter and Gamble Company—Final Net®, Vitalis®, Condition 3-in-1®, Ammens®, Sea Breeze®, and Vitapointe® — and created Idelle Labs: a new division to develop and market skin and hair care products. The addition of Idelle Labs promises to open opportunities and expand horizons.

Idelle Product Offerings

Helen of Troy expands distribution through its relationship with Tactica, a 55-percent owned subsidiary of the Company that sells to major mass merchandisers, drug store chains and specialty stores, and directly markets products to consumers using extensive television and print advertising.

Helen of Troy's combination of technological innovations and marketing strategies solidifies the Company's leadership position and provides the strong direction needed to expand its role in the personal care marketplace into the foreseeable future.

REVLON HOTSPA by HELEN OF TROY Sea Breeze final NET condition 3in1 Vitapointe® Vitalis® AMMENS

INTERNATIONAL

Helen of Troy is established as a leader not only in the United States, but also in the global marketplace as well, making products that are a part of consumers' lives everywhere. Under the Vidal Sassoon trademark in Europe, the Company was one of the first to introduce Ionic™ drying technology and continues its innovative lead with the 1800 Watt Ionic Hair Hydration Dryer. To meet the increasing demand for hair straightening tools in the United Kingdom, the Vidal Sassoon line has also introduced the Straighten It Out! Straightener, among others to this market. Outside the European market, the Company sells hair care appliances and accessories worldwide under the trusted Revlon brand name. Several of the new Idelle Labs products are also sold extensively in Europe and Latin America.

Vidal Sassoon 1800w Hair Hydration Dryer

The Scholl line remains prominent internationally in the personal therapeutics category, offering extensive brand-name recognition and a complete line of foot spas, personal massagers and cushions. With decades of experience, Helen of Troy continues to expand its worldwide reputation of personal therapeutic care under the Scholl brand.

Revlon Brushes, Combs and Mirrors

Helen of Troy is moving forward, increasing the Company's domestic and international market share as well as world-wide market opportunities. Strong recognition of its associated brand names and the firm establishment of international offices will continue to fuel steady, strong growth.

Scholl Revitalise Foot Spa

Revlon is a registered trademark of Revlon Consumer Products Corporation

Dr. Scholl's and Scholl are registered trademarks of Schering-Plough HealthCare Products, Inc. (US) and Scholl Ltd. (UK)

Sunbeam is a registered trademark of Sunbeam Products, Inc.

Vitapointe is a registered trademark of Sara Lee Household and Body Care UK Limited

Sea Breeze is a registered trademark of FT Shiseido Company, Ltd.

Trend Setters · HOT TOOLS PROFESSIONAL · Marc Newson · KARINA · VIDAL SASSOON · REVLON · Scholl

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