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HELEN OF TROY LTD  
Form 10-Q/A  
November 19, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q/A  
Amendment No. 1

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

FOR THE QUARTERLY PERIOD ENDED AUGUST 31, 2003

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 001-14669

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

BERMUDA  
(State or other jurisdiction of  
incorporation or organization)

74-2692550  
(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

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  No

Indicate by check mark whether the registrant is an accelerated filer  
(as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes  No

As of October 8, 2003 there were 28,427,689 shares of issuer's common  
stock, \$.10 par value, outstanding.

EXPLANATORY NOTE REGARDING THIS AMENDMENT TO FORM 10-Q

This Amendment No. 1 to the Company's Quarterly Report on Form 10-Q is

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filed for the sole purpose of correcting a typographic error on page 5, Consolidated Condensed Statement of Income for the six months ended August 31, 2003. Net earnings for such period is corrected to read \$27,942. In order to preserve the nature and character of the disclosures as originally filed, except as specifically discussed in this Amendment No. 1 to the Quarterly Report on Form 10-Q/A, no attempt has been made to modify or update such disclosures for events which occurred subsequent to the original filing on October 15, 2003. Accordingly, this Amendment No. 1 to the Quarterly Report on Form 10-Q/A should be read in conjunction with the Company's subsequent filings with the Securities and Exchange Commission.

### HELEN OF TROY LIMITED AND SUBSIDIARIES

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS  
 (IN THOUSANDS, EXCEPT PAR VALUE)

	August 31, 2003	February 28, 2003
	-----	-----
	(unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 33,395	\$ 47,837
Marketable securities, at market value	1,367	1,442
Receivables - principally trade, less allowance of \$ 5,163 at August 31, 2003 and \$ 5,107 at February 28, 2003	80,832	61,990
Inventories	147,054	111,966
Prepaid expenses and other current assets	11,431	8,454
Deferred income tax benefits	5,559	3,147
	-----	-----
Total current assets	279,638	234,836
Property and equipment, at cost less accumulated depreciation of \$ 15,726 at August 31, 2003 and \$ 14,302 at February 28, 2003	66,591	63,082
Goodwill, net of accumulated amortization of \$ 8,629 at August 31, 2003 and February 28, 2003	40,767	40,767
Trademarks, at cost, net of accumulated amortization of \$ 213 at August 31, 2003 and \$ 211 at February 28, 2003	17,046	17,048
License agreements, at cost less accumulated amortization of \$ 10,938 at August 31, 2003 and \$ 10,194 at February 28, 2003	26,628	27,372
Other assets	20,335	22,524
	-----	-----
Total assets	\$ 451,005	\$ 405,629
	=====	=====

(Continued)

HELEN OF TROY LIMITED AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS  
 (IN THOUSANDS, EXCEPT PAR VALUE)

	August 31, 2003	February 28, 2003
	-----	-----
	(unaudited)	

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Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable, principally trade	\$ 30,141	\$ 19,613
Accrued expenses:		
Advertising and promotional	6,044	5,662
Other	15,148	16,802
Income taxes payable	24,846	18,950
	-----	-----
Total current liabilities	76,179	61,027
Long-term debt	55,000	55,000
	-----	-----
Total liabilities	131,179	116,027
	-----	-----
Stockholders' equity:		
Cumulative preferred stock, non-voting, \$1.00 par value		
Authorized 2,000 shares; none issued	-	-
Common stock, \$.10 par value. Authorized 50,000 shares;		
28,405 and 28,202 shares issued and outstanding at		
August 31, 2003 and February 28, 2003, respectively	2,840	2,820
Additional paid-in capital	55,940	53,984
Other comprehensive income	306	-
Retained earnings	262,341	233,774
Minority interest in deficit of acquired subsidiary	(1,601)	(976)
	-----	-----
Total stockholders' equity	319,826	289,602
	-----	-----
Total liabilities and stockholders' equity	\$ 451,005	\$ 405,629
	=====	=====

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
(UNAUDITED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three months ended August 31, 2003	2002	Six months 2003
	-----	-----	-----
Net sales	\$ 115,782	\$ 111,058	\$ 222,282
Cost of sales	62,727	60,148	116,432
	-----	-----	-----
Gross profit	53,055	50,910	105,850
Selling, general, and administrative expenses	38,381	38,636	74,980
	-----	-----	-----
Operating income	14,674	12,274	30,870
Other income (expense):			
Interest expense	(956)	(953)	(1,965)
Other income, net	699	415	3,587

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Total other income (expense)	(257)	(538)	1,622
Earnings before income taxes	14,417	11,736	32,492
Income tax expense:			
Current	3,846	3,920	6,962
Deferred	(2,527)	(1,060)	(2,412)
Net earnings	\$ 13,098	\$ 8,876	\$ 27,942
Earnings per share:			
Basic	\$ 0.46	\$ 0.31	\$ 0.99
Diluted	0.42	0.30	0.92
Weighted average number of common shares used in computing earnings per share:			
Basic	28,268	28,180	28,239
Diluted	30,859	29,538	30,379

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED, IN THOUSANDS)

Cash flows from operating activities:
Net earnings
Adjustments to reconcile net earnings to cash provided (used) by operating activities:
Depreciation and amortization
Provision for doubtful receivables
Purchases of trading securities
Proceeds from sales of trading securities
Realized gain - trading securities
Unrealized (gain)/loss - trading securities
Deferred taxes, net
Gain/loss on sale of fixed assets
Changes in operating assets and liabilities:
Accounts receivable
Forward contracts
Inventory
Prepaid expenses
Other assets
Accounts payable
Accrued expenses
Income taxes payable
Net cash provided (used) by operating activities
Cash flows from investing activities:

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Capital and license expenditures  
 Proceeds from the sales of fixed assets  
 Other assets

Net cash provided (used) by investing activities

Cash flows from financing activities:

Exercise of stock options  
 Common stock repurchase

Net cash provided by financing activities

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents, beginning of period

Cash and cash equivalents, end of period

Supplemental cash flow disclosures:

Interest paid  
 Income taxes paid, net of refunds

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED, IN THOUSANDS)

	Three months ended August 31, 2003	2002	Six mont 2003
	-----	-----	-----
Net earnings, as reported	\$ 13,098	\$ 8,876	\$ 27,942
Other comprehensive income (loss), net of tax:			
Cash flow hedges	520	-	306
	-----	-----	-----
Comprehensive income	\$ 13,618	\$ 8,876	\$ 28,248
	=====	=====	=====

See accompanying notes to consolidated condensed financial statements.

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HELEN OF TROY LIMITED AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
 AUGUST 31, 2003

NOTE 1 - In the opinion of the Company, the accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its consolidated financial position as of

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August 31, 2003 and February 28, 2003 and the results of its consolidated operations for the three-month and six-month periods ended August 31, 2003 and 2002. While the Company believes that the disclosures presented are adequate to make the information not misleading, these statements should be read in conjunction with the consolidated financial statements and the notes included in the Company's latest annual report on Form 10-K.

NOTE 2 - The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of such claims and legal actions will not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

NOTE 3 - Basic earnings per share is computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed based upon the weighted average number of common shares plus the effects of dilutive securities. The number of dilutive securities was 2,590,398 and 1,358,109 for the three months ended August 31, 2003 and 2002, respectively, and 2,139,977 and 1,450,625 for the six months ended August 31, 2003 and 2002, respectively. All dilutive securities during these periods consisted of stock options issued under the Company's stock option plans. There were 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 prices of the Company's common stock. These options totaled 335,133 and 3,856,662 at August 31, 2003 and 2002, respectively.

NOTE 4 - During the latest fiscal quarter, the Company's Board of Directors approved a resolution authorizing the Company to purchase, in open market or private transactions, up to 3,000,000 shares of its common stock over a period extending to May 31, 2006. In September 2003, the Company purchased and retired a total of 81,800 of its shares under this resolution at a total cost of \$ 2,025,000, for a \$ 24.76 per share average price. The Company did not purchase any of its shares during the six months ended August 31, 2003.

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NOTE 5 - The following table contains segment information for the three month and six month periods ended August 31, 2003 and 2002

THREE MONTHS ENDED AUGUST 31, 2003 AND 2002  
(IN THOUSANDS)

August 31, 2003	North American	International	Tactica	Corporate/ Other	Total
-----	-----	-----	-----	-----	-----
Net sales	\$ 94,537	\$ 10,798	\$ 10,447	\$ -	\$ 115,782
Operating income (loss)	18,582	224	(3,303)	(829)	14,684
Capital / license expenditures	1,291	1,991	8	4	3,284

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Depreciation and amortization	1,258	253	18	69	1,598
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August 31, 2002	North American	International	Tactica	Corporate/Other	Total
Net sales	\$ 83,693	\$ 6,223	\$ 21,142	\$ -	\$ 111,058
Operating income (loss)	11,535	(514)	1,936	(683)	12,274
Capital / license expenditures	136	27	112	-	275
Depreciation and amortization	705	344	36	378	1,463

SIX MONTHS ENDED AUGUST 31, 2003 AND 2002  
(IN THOUSANDS)

August 31, 2003	North American	International	Tactica	Corporate/Other	Total
Net sales	\$ 175,924	\$ 20,647	\$ 25,711	\$ -	\$ 222,282
Operating income (loss)	35,919	1,440	(2,928)	(3,561)	30,870
Capital / license expenditures	2,981	2,018	10	6	5,015
Depreciation and amortization	2,355	498	37	140	3,030

August 31, 2002	North American	International	Tactica	Corporate/Other	Total
Net sales	\$ 155,622	\$ 10,427	\$ 47,492	\$ -	\$ 213,541
Operating income (loss)	19,188	(1,065)	5,321	(1,159)	22,285
Capital / license expenditures	1,141	61	137	-	1,339
Depreciation and amortization	2,205	691	57	378	3,331

Identifiable assets at August 31, 2003 and February 28, 2003 were as follows:

(IN THOUSANDS)

	North American	International	Tactica	Corporate/Other	Total
August 31, 2003	\$ 368,057	\$ 36,479	\$ 30,899	\$ 15,570	\$ 451,005
February 28, 2003	337,596	26,049	27,928	14,056	405,629

The North American segment sells hair care appliances, other personal care appliances, including massagers and spa



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products, hair and skin care products, hairbrushes, combs, and decorative hair accessories in the United States and Canada. The International segment sells hair care appliances, personal care appliances, hair and skin care products, hairbrushes, combs, and decorative 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 ("SG&A") 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.

### NOTE 6 -

The Hong Kong Inland Revenue Department ("IRD") has assessed \$6,753,000 in tax on certain profits of the Company's foreign subsidiaries for the fiscal years 1995 through 1997. If the IRD were to assert the same position for later years and that position were to prevail, the resulting tax liability would total approximately \$ 38,980,000 for fiscal 1995 through the fiscal quarter ended August 31, 2003. The Company has recorded a liability for the IRD's claims and potential claims, based on consultations with outside Hong Kong tax counsel as to the probability that some or all of the IRD's claims prevail. Although the ultimate resolution of the IRD's claims and potential claims cannot be predicted with certainty, management believes that adequate provision has been made in the consolidated condensed financial statements for the resolution of those claims. In connection with the IRD's tax assessment for the fiscal years 1995 through 1997, the Company purchased tax reserve certificates in Hong Kong. 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. As of August 31, 2003 and February 28, 2003, the tax reserve certificates were valued at \$ 3,282,000 (U.S.), or approximately 49 percent of the liability assessed by the IRD for fiscal 1995 through 1997. The value of the tax reserve certificates comprises part of the amounts reported on the line entitled "Other assets" on the Company's August 31, 2003 and February 28, 2003 condensed consolidated balance sheets.

The United States Internal Revenue Service ("IRS") has audited the U.S. federal tax returns of the Company's largest U.S. subsidiary for fiscal years 1997 through 1999. The IRS proposed adjustments to those returns. If the IRS's positions with respect to those adjustments were to prevail, the resulting tax liability could total \$ 7,500,000. The Company is vigorously contesting these adjustments. Although the ultimate outcome of the examination cannot be predicted with certainty, management is of the opinion that adequate provision for the proposed adjustments has been made in the

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Company's condensed consolidated financial statements as of August 31, 2003 and February 28, 2003. The IRS also is auditing the U.S. federal tax returns of the Company's largest U.S. subsidiary for fiscal years 2000 through 2002. To date, the IRS has not proposed any material adjustments to these returns. The Company cannot predict with certainty the results of the IRS audits for these years.

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NOTE 7 - Helen of Troy's consolidated results of operations for the three-month and six-month periods ended August 31, 2003 and 2002 include 100 percent of the net earnings and losses of Tactica International, Inc. ("Tactica"), a subsidiary in which Helen of Troy owns a 55 percent interest. Because Tactica had accumulated a net deficit at the time that Helen of Troy acquired its interest and because the minority shareholders of Tactica have not adequately guaranteed their portion of the accumulated deficit, Helen of Troy will include 100 percent of Tactica's net earnings and losses in its consolidated income statement until Tactica's accumulated deficit is eliminated. At August 31, 2003, Tactica's accumulated deficit remaining to be eliminated was approximately \$ 3,561,000. Helen of Troy's 55 percent share of this deficit totals \$ 1,960,000, with the minority interest totaling \$ 1,601,000. The Company will continue to recognize all of Tactica's net income or loss until such time as Tactica's accumulated deficit is fully recovered.

NOTE 8 - In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), the Company does not record amortization expense on goodwill or other intangible assets that have indefinite useful lives. Amortization expense is 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 has performed the analysis required by SFAS 142 and has determined that none of its goodwill is impaired.

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

### INTANGIBLE ASSETS (IN THOUSANDS)

	August 31, 2003			February 28, 2003		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Licenses (a)	\$ 37,566	\$ (10,938)	\$ 26,628	\$ 37,566	\$ (10,194)	\$ 27,372
Trademarks (a)	17,259	(213)	17,046	17,259	(211)	17,048

(a) August 31, 2003 and February 28, 2003 gross and net carrying amounts

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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 three and six months ending August 31, 2003 and 2002, as well as estimated amortization expense for the fiscal years ending the last day of February 2004 through 2009.

	Three months ended August 31, 2003	2002	Six months 2003
	----	----	----
Aggregate amortization expense (in thousands)	\$ 384	\$ 331	\$ 746

Estimated Amortization Expense (in thousands):

For the fiscal years ended

-----

February 2004	\$ 1,450
February 2005	1,450
February 2006	1,450
February 2007	1,450
February 2008	1,040
February 2009	834

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NOTE 9 - The consolidated group's parent company, Helen of Troy Limited, a Bermuda company, and various subsidiaries guarantee certain obligations and arrangements on behalf of some members of the consolidated group of companies whose financial position and results are included in our consolidated financial statements.

The \$ 55,000,000 reflected as "Long-term debt" in our consolidated condensed balance sheets as of August 31, 2003 and February 28, 2003, represents senior notes issued by one of the Company's U.S. subsidiaries. The consolidated group's parent company, located in Bermuda, one of its subsidiaries located in Barbados, and three of its U.S. subsidiaries guarantee the senior notes on a joint and several basis.

Helen of Troy Limited, the parent company of the consolidated group, has guaranteed a commitment of its subsidiary based in the United Kingdom (the "UK subsidiary"). Under this guarantee 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 August 31, 2003 and February 28, 2003 Consolidated Condensed Balance Sheets for the parent company guarantee on behalf of the UK subsidiary.

Tactica leases office space in New York City. One of the

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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 meet its obligations 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'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 \$ 3,282,000 and \$ 3,263,000 as of August 31, 2003 and February 28, 2003, 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 fiscal quarter ended August 31, 2003 and fiscal year ended February 28, 2003:

### ACCRUAL FOR WARRANTY RETURNS (IN THOUSANDS)

Period ended -----	Beginning Balance -----	Additions to Accrual -----	Reduction of Accrual-- Payments and Credits Issued -----	Ending Balance -----
August 31, 2003 (Three Months)	\$ 2,894	\$ 3,514	\$ 3,126	\$ 3,282
August 31, 2003 (Six Months)	3,263	6,839	6,820	3,282
February 28, 2003 (Twelve Months)	3,428	12,408	12,573	3,263

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Our contractual obligations and commercial commitments as of August 31, 2003 were:

### PAYMENTS DUE BY PERIOD (IN THOUSANDS)

Contractual Obligations -----	Total -----	1 year -----	2 years -----	3 years -----	4 years -----	5 years -----
Long-term debt	\$ 55,000	\$ -	\$10,000	\$10,000	\$10,000	\$13,000
Open purchase orders - inventory	51,470	51,470	-	-	-	-
Minimum royalty payments	21,784	4,312	3,473	2,775	2,653	2,573
Advertising and promotional commitments	21,242	5,907	6,211	3,031	1,474	-
Operating leases	3,897	1,552	1,318	849	178	-
Purchase and implementation of enterprise resource planning (ERP) system	3,718	3,718	-	-	-	-
Other	1,570	362	362	363	362	-

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Total contractual obligations	\$158,681	\$67,321	\$21,364	\$17,018	\$14,667	\$16,000
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NOTE 10 - 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.

The following table sets forth the computation of basic and diluted earnings per share for the three months and six months ended August 31, 2003 and 2002, respectively, and illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation" to stock-based employee compensation.

PROFORMA STOCK-BASED EMPLOYEE COMPENSATION  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

		Three months ended August 31, 2003	2002	Six months 2003
Net Income:	As Reported	\$ 13,098	\$ 8,876	\$ 27,942
	Fair-value cost	2,956	2,321	4,797
	Proforma	\$ 10,142	\$ 6,555	\$ 23,145
Earnings per share:				
	Basic: As Reported	\$ 0.46	\$ 0.31	\$ 0.99
	Proforma	0.36	0.23	0.82
	Diluted: As Reported	\$ 0.42	\$ 0.30	\$ 0.92
	Proforma	0.33	0.22	0.76

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, non-qualified stock options 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. At August 31, 2003 and February 28, 2003, 435,661 and 1,257,226 shares respectively, remained available

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for future grants under these plans.

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. At August 31, 2003 and February 28, 2003, 472,000 and 512,000 shares respectively, remained available for future grants under this plan.

In fiscal 1999, the Company's shareholders approved an employee stock purchase plan (the "Stock 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 the second quarter of fiscal 2004, plan participants acquired 6,099 shares at an average price of \$ 11.91 per share from the Company under the stock purchase plan. At August 31, 2003 and February 28, 2003, 377,921 and 384,020 shares respectively, remained available for future purchases under this plan.

NOTE 11 - The following table is a summary by operating segment of the Company's goodwill balances as of August 31, 2003 and February 28, 2003.

### TOTAL GOODWILL BY OPERATING SEGMENT (IN THOUSANDS)

	August 31, 2003			February 28, 2003	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization
Operating Segment:					
North America	\$ 42,212	\$ (7,792)	\$ 34,420	\$ 42,212	\$ (7,792)
International	1,081	(433)	648	1,081	(433)
Tactica	6,103	(404)	5,699	6,103	(404)
Total	\$ 49,396	\$ (8,629)	\$ 40,767	\$ 49,396	\$ (8,629)

NOTE 12 - On October 21, 2002, the Company acquired from The Procter & Gamble Company the right to sell products under six trademarks. The Company acquired all rights to the trademarks and certain rights to the formulas and production processes for four of the six trademarks; Ammens(R), Vitalis(R), Condition 3-in-1(R), and Final Net(R). The Procter & Gamble Company assigned to the Company its rights under licenses to

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sell products bearing the other two trademarks; Sea Breeze(R) and Vitapointe(R). The Sea Breeze(R) license is perpetual. The Company has completed its analysis of the economic lives of the trademarks acquired and is of the initial belief that these trademarks have indefinite economic lives except for the Vitapointe(R) license. The Company has determined that the license covering the Vitapointe(R) trademark has an economic life equal to its initial term through December 2010 and is currently amortizing the intangible asset over that period. The Company recorded amortization expense during the three and six months ended August 31, 2003 of \$ 32,000 and \$ 64,000, respectively.

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NOTE 13- During the fiscal year ended February 28, 2003, the Company entered into nonmonetary 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 credits during the fiscal year ending 2003 and expects to use the remaining advertising credits acquired by the end of fiscal year 2004. The remaining credits are valued at \$ 2,501,000 on the Company's Consolidated Condensed Balance Sheets at August 31, 2003 and February 28, 2003 and are included in the line item entitled "Prepaid expenses."

NOTE 14- 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 foreign currencies. During the three- and six-month periods ended August 31, 2003 and 2002, the Company transacted 11%, 10%, 5%, and 5% respectively, of its sales in foreign currencies. These sales were primarily denominated in the Canadian Dollar, the British Pound 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. The Company sought to reduce its foreign currency risk by purchasing most of its inventory using U.S. Dollars and by converting cash balances denominated in foreign currencies to U.S. Dollars on a regular basis. During fiscal 2003, the Company entered into a series of forward contracts to exchange British Pounds for U.S. Dollars. These contracts were cash flow hedges that hedge the foreign currency risk associated with a portion of the Company's forecasted net British Pound cash flows and closed during March 2003. During the quarter ended May 31, 2003, the Company entered into another series of contracts that were cash flow hedges that hedge the foreign currency risk associated with a portion of the Company's forecasted net cash flows from the British Pound and the Euro.

The line item entitled "Other income (net)" in the Consolidated Condensed Statements of Income and Comprehensive Income includes \$ 467,000 of income for the quarter ended August 31, 2003 and \$ 230,000 of income for the six months ended August 31, 2003 associated with hedges of foreign currency risk related to the contracts entered into

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during the six month periods ended August 31, 2003. The \$ 467,000 of income is comprised of \$ 53,000 of expense resulting from changes in "spot" exchange rates during the quarter ended August 31, 2003 and the remaining \$ 520,000 of income is due to changes in the time value of the forward contracts. For the six months ended August 31, 2003 the \$ 230,000 of income is comprised of \$ 76,000 of expense resulting from changes in "spot" exchange rates and the remaining \$ 306,000 of income is due to changes in the time value of the forward contracts.

Current cash flows hedged by the Company's outstanding forward contracts total \$ 5,000,000 in British Pounds and \$ 2,500,000 in Euros. The anticipated sales are forecasted to occur during the twelve months ending February 28, 2004. Changes in "spot" exchange rates have increased the value of Euro contracts by \$ 8,500 and British Pound contracts by \$ 297,500 since their inception. These amounts are recorded against Other Comprehensive Income ("OCI") for the three and six months ended August 31, 2003 as \$ 520,000 of Comprehensive Income and \$ 214,000 of Comprehensive Expense, respectively. The cumulative \$ 306,000 is the entire amount reflected as OCI and Accumulated OCI in the Company's August 31, 2003 Consolidated Condensed Statement of Comprehensive Income and Consolidated Condensed Balance Sheets, respectively. The Company expects to reclassify the \$ 306,000 amount recorded as OCI against "Other income, net" as the forecasted transactions close out over the remaining balance of their terms.

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NOTE 15- In the first quarter of fiscal 2004, the Company recorded income of \$2,600,000, net of legal fees, in connection with the settlement of litigation matters. This income is included in the line item entitled "Other income, net" in the Consolidated Condensed Statements of Income for the six months ended August 31, 2003.

NOTE 16- On September 22, 2003, certain subsidiaries of the Company entered into a new credit facility with the Bank of America for \$ 50,000,000 to facilitate short-term borrowings and the issuance of letters of credit. All borrowings are at interest equal to the higher of the Federal Funds Rate plus 0.50% or the Bank of America's prime; or upon timely election by the Company, on the respective 1, 2, 3, or 6 month LIBOR rate plus 0.75% (based upon the term of the borrowing).

The line allows for issuance of letters of credit up to \$ 10,000,000, which will reduce the maximum credit line borrowing limit dollar for dollar. The credit facility expires in September of 2004. The new agreement contains covenants and requires maintenance of certain Debt/EBITDA and fixed charge coverage ratios customary to loan facilities of this nature. The new credit facility has been fully guaranteed, on a joint and several basis, by our parent company, located in Bermuda and certain U.S. subsidiaries. As mentioned in Note 17 below, the Company used \$ 32,000,000 of this line to fund the acquisition of the Brut(R) family of products from Unilever.

NOTE 17- On September 29, 2003, the Company issued a press release announcing that it had received all required regulatory approvals and completed the transaction to acquire certain assets related to the North American, Latin American, and Caribbean production and distribution of Brut(R) fragrances, deodorants and antiperspirants from Conopco, Inc., a wholly owned subsidiary of Unilever NV. The assets consist principally of patents, trademarks and trade names, product formulations and production technology, related finished goods inventories, distribution rights, and customer lists. The Company paid



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\$ 55,000,000 in cash in the transaction. The transaction was funded by drawing \$ 32,000,000 against a new \$ 50,000,000 short-term credit facility with Bank of America, and the balance funded out of the Company's cash on hand.

The Company is in the process of completing its analysis of the economic lives of the assets acquired and appropriate allocation of the initial purchase price. Our initial belief is that most of the purchase price will be allocated to assets having indefinite economic lives. The Company expects to complete its analysis at some time during the late third fiscal quarter or early fourth fiscal quarter of 2004. Depending on the results of this analysis, the Company might, in future periods, record amortization expense on one or more of the intangible assets associated with the acquisition.

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### ITEM 2. 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 section entitled Information Relating to Forward-Looking Statements and in the Company's most recent report on Form 10-K.

#### RESULTS OF OPERATIONS

##### COMPARISON OF QUARTER ENDED AUGUST 31, 2003 TO QUARTER ENDED AUGUST 31, 2002

consolidated sales and gross profit margins

Our net sales for the three months ended August 31, 2003 improved 4.3 percent or \$ 4,724,000 versus the three months ended August 31, 2002. Net sales increased in our North American and International operating segments, while our Tactica segment's net sales decreased.

Net sales in the North American segment grew \$ 10,844,000, or 13 percent for the three months ended August 31, 2003 versus the same period a year earlier. In October 2002, we acquired six brands from The Procter & Gamble Company which comprise the majority of our liquid and powder hair and skin care products. Sales of these products resulted in \$ 7,664,000 of sales growth in the three months ended August 31, 2003 and accounted for 71 percent of the quarter's growth in the North American segment. We entered the hair and skin care products market during the third quarter of the prior fiscal year; therefore, net sales figures for the three months ended August 31, 2002 include no sales of such products. Exclusive of liquid and powder hair and skin care product sales, our North American segment grew \$ 3,180,000, or 3.8 percent, over the same period last year. This growth resulted from increased sales of existing product lines that have been enhanced with new technologies and features. Examples include hair care appliances utilizing ionic and ceramic technology, rather than traditional heating surfaces. We also experienced increased sales in our Hot Tools and Wigo brands through our professional distribution channel, and in our Vidal Sassoon(R), Revlon(R) and Dr. Scholl's(R) line of products sold at retail.

Our International segment's sales for the three month period ended August 31, 2003 grew by 74 percent, or \$ 4,575,000, compared to the same period a year earlier. Increased sales in the United Kingdom and France accounted for most of this quarter's International segment sales growth. Also contributing to International growth has been the strengthening of the British Pound and the Euro versus the U.S. Dollar which provided approximately \$ 400,000 of additional

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sales dollars for this quarter. In addition to the contributions to North American segment's sales, as discussed above, liquid and powder hair and skin care sales also contributed to the International segment's sales growth. These sales produced \$ 2,524,000 of sales growth in the International segment which accounted for 55 percent of the segment's total growth. International sales, excluding liquid and powder hair and skin care sales increased \$ 2,051,000 or 33 percent.

The Tactica operating segment experienced a \$ 10,695,000, or 51 percent, decrease in its net sales during the three months ended August 31, 2003, versus the three months ended August 31, 2002. Sales decreases in Tactica were primarily due to a reduction in sales of Epil-Stop products that were a large part of sales last year, and general softness of demand for products sold through television infomercials. Sales were also negatively impacted by new product supply shortages, principally due to demand exceeding planned supply, which created an order backlog in excess of \$ 4,000,000 at quarter end. It is likely that some of this backlog will be cancelled in the normal course of business, with the balance of the backlog producing sales in our third quarter of this year. The extent of the impact of cancellations and delayed sales on future quarters is indeterminate at the time of this report.

Consolidated gross profit, as a percentage of sales for the quarter ended August 31, 2003, was consistent with the prior year's quarter ended August 31, 2002, holding at 45.8 for both quarters. North American and International segment gross profit margins increased significantly primarily due to a favorable change in the mix of products sold and our ability to source product more efficiently. The North American segment also experienced a lower volume of closeout sales with higher gross margins as

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compared to a higher volume of closeout sales with lower margins during the same period last year. The North American segment's gross profit also benefited from the addition of the six brands acquired from Procter & Gamble Company which produce higher gross margins than the remainder of the segment. The International gross margin also benefited from the strengthening of the Euro and the British Pound. The North American and International segment gross margin increases were offset by Tactica's decline in gross margins and lower sales volume.

Selling, general, and administrative expenses

Comparing the second quarter of fiscal 2003 to the second quarter of fiscal 2004, selling, general, and administrative expenses, expressed as a percentage of net sales, decreased from 34.8 to 33.1 percent. This decrease is due to lower royalty expense being partially offset by increases in freight out, payroll, insurance and warehouse storage costs. Additionally, we experienced foreign currency exchange losses of (\$ 653,000) versus gains of \$ 673,000 during the same period a year earlier. The exchange rate losses in the quarter ended August 31, 2003 were primarily due to the U.S. Dollar's strength versus the British Pound and the Euro. The exchange rate gains in the quarter ended August 31, 2002 were primarily due to the U.S. Dollar's weakness versus the British Pound and the Euro.

Interest expense and other income / expense

Interest expense for the quarter ended August 31, 2003 increased slightly compared with the quarter ended August 31, 2002, increasing to \$956,000 from \$ 953,000.

Other income for the quarter ended August 31, 2003 was \$ 699,000

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compared with \$ 415,000 for the quarter ended August 31, 2002. Interest income was \$ 352,000 lower for the quarter ended August 31, 2003 versus the quarter ended August 31, 2002. The drop in interest was due to less investable cash and reduced interest rates. The Company had realized and unrealized gains on securities of \$ 247,000 for the quarter ended August 31, 2003 versus a loss, both realized and unrealized on securities of \$ 281,000 for the quarter ended August 31, 2002.

### Income tax expense

In the second quarter of fiscal 2004, our income tax expense was 9.1 percent of earnings before income taxes, as opposed to 24.4 percent in the second quarter of fiscal 2003. Tactica incurs a total income tax rate of approximately 45 percent, versus approximately 18 percent for our other two segments combined and Tactica's current quarter's operating loss of \$ 3,303,000 and resulting tax benefit caused a reduction in our overall tax rate. Tactica does not qualify to join the Company's consolidated tax filing and thus files separate U.S. federal, state and local tax returns.

### COMPARISON OF SIX MONTHS ENDED AUGUST 31, 2003 TO SIX MONTHS ENDED AUGUST 31, 2002

#### Consolidated Sales and Gross Profit Margins

Our net sales for the six months ended August 31, 2003 improved 4.1 percent or \$ 8,741,000 versus the six months ended August 31, 2002. Net sales increased in our North American and International operating segments, while our Tactica segment's net sales decreased.

Net sales in the North American segment grew \$ 20,302,000, or 13 percent for the six months ended August 31, 2003 versus the same period a year earlier. In October 2002, we acquired six brands from The Procter & Gamble Company which comprise the majority of our liquid and powder hair and skin care products. Sales of these products resulted in \$ 15,698,000 of sales in the six months ended August 31, 2003 and accounted for 77 percent of the growth in the North American segment during this period.

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We entered the hair and skin care products market during the third quarter of the prior fiscal year; therefore, net sales figures for the six months ended August 31, 2002 included no sales of such products. Exclusive of the liquid and powder hair and skin care product sales, our North American segment grew \$4,604,000, or 3 percent, over the same period last year. This growth resulted from increased sales of existing product lines that have been enhanced with new technologies and features. Examples include hair care appliances utilizing ionic and ceramic technology, rather than traditional heating surfaces. We also experienced increased sales in our Hot Tools and Wigo brands through our professional distribution channel, and in our Vidal Sassoon(R), Revlon(R), Sunbeam(R) and Dr. Scholl's(R) line of products sold at retail.

Our International segment's sales for the six month period ended August 31, 2003 grew by 98 percent, or \$ 10,220,000, compared to the same period a year earlier. Increased sales in the United Kingdom and France accounted for most of this year's International segment sales growth. In addition to the contributions to the North American segment's sales, as discussed, liquid and powder hair and skin care sales also contributed to the International segment's sales growth. These sales produced \$ 3,585,000 of sales growth in the International segment which accounted for 35 percent of the segment's total growth. International sales, excluding liquid and powder hair and skin care sales, increased \$6,635,000 or 64 percent.

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The Tactica operating segment experienced a \$ 21,781,000, or 46 percent, decrease in its net sales during the six months ended August 31, 2003, versus the six months ended August 31, 2002. Sales decreases in Tactica were primarily due to a reduction in sales of Epil-Stop products that were a large part of sales last year, and general softness of demand for products sold through television infomercials. Sales were also negatively impacted by new product supply shortages, principally due to demand exceeding planned supply, which created an order backlog in excess of \$ 4,000,000 at quarter end. It is likely that some of this backlog will be cancelled in the normal course of business, with the balance of the backlog producing sales in our third quarter of this year. The extent of the impact of cancellations and delayed sales on future quarters is indeterminate at the time of this report.

Consolidated gross profit, as a percentage of sales for the six months ended August 31, 2003, rose as compared with the prior six months ended August 31, 2002, increasing from 47 percent to 47.6 percent. North American and International segment gross profit margins increased significantly primarily due to a favorable change in the mix of products sold and our ability to source product more efficiently. The North American segment also experienced a lower volume of closeout sales with higher gross margins as compared to a high volume of closeout sales with low margins during the same period last year. The North American segment's gross profit also benefited from the addition of the Idelle Labs division that produces higher gross margins than the remainder of the segment. The North American and International segment gross margin increases were offset partially by Tactica's decline in gross margins and lower sales volume.

### Selling, general, and administrative expenses

Comparing the first six months of fiscal 2003 to the first six months of fiscal 2004, selling, general, and administrative expenses, expressed as a percentage of net sales, decreased from 36.6 to 33.7 percent. This decrease is due to lower royalty expense being partially offset by increases in freight out, payroll, insurance and warehouse storage costs. Additionally, we experienced foreign currency exchange losses of (\$ 87,000) versus gains of \$ 926,000 during the same period a year earlier. The exchange rate losses in the six months ended August 31, 2003 were primarily due to the U.S. Dollar's strength versus the British Pound and the Euro. The exchange rate gains in the six months ended August 31, 2002 were primarily due to the U.S. Dollar's weakness versus the British Pound and the Euro.

### Interest expense and other income / expense

Interest expense for the six months ended August 31, 2003 decreased slightly compared with the six months ended August 31, 2002, decreasing to \$1,965,000 from \$ 2,020,000.

Other income for the six months ended August 31, 2003 was \$ 3,587,000 compared with \$ 728,000 for the six months ended August 31, 2002. Interest income was \$ 418,000 lower for the six months ended August 31, 2003 versus the six months

ended August 31, 2002. The drop in interest was due to less investable cash and reduced interest rates. The Company had realized and unrealized gains on securities of \$ 200,000 in the six months ended August 31, 2003 versus a loss, both realized and unrealized gains on securities of \$ 281,000 for the six months ended August 31, 2002. As discussed in Note 15, the Company recorded other income of \$ 2,600,000 during the six months ended August 31, 2003 in connection with the settlement of two litigation issues.

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### Income tax expense

In the six months ended August 31, 2003, our income tax expense was 14 percent of earnings before income taxes, as opposed to 26.3 percent for the six months ended August 31, 2002. Tactica incurs a total income tax rate of approximately 45 percent, versus approximately 18 percent for our other two segments combined and Tactica's operating loss of \$ 2,928,000 for the six months ended August 31, 2003 and resulting tax benefit caused a reduction in our overall tax rate.

### LIQUIDITY AND CAPITAL RESOURCES

Our cash balance was \$ 33,395,000 at August 31, 2003 compared to \$47,837,000 at February 28, 2003. Operating activities utilized \$ 11,146,000 of cash during the first six months of fiscal 2004, compared to generating \$19,405,000 during the first six months of fiscal 2003. The production of net income of \$ 27,942,000 along with an increase in accounts payable of \$10,528,000 offset by an increase in accounts receivable of \$ 21,441,000 and increased inventory of \$ 35,088,000 were the major reasons \$ 11,146,000 of cash was utilized in operating activities. The inventory increase of \$ 35,088,000 was due to \$ 5,200,000 of inventory associated with our new liquid and powder hair and skin care business and the remainder of the inventory increase is in anticipation of the fall and holiday selling season. Investing activities used \$5,272,000 of cash during the six months ended August 31, 2003. Of the \$5,272,000, \$ 1,915,000 was for the acquisition of a new office facility in the UK and \$ 2,175,000 was associated with costs incurred in the conversion to a new integrated data processing system scheduled to go live in the first quarter of fiscal 2005. Financing activities provided \$ 1,976,000 due to the exercise of stock options.

Our working capital balance increased to \$ 203,459,000 at August 31, 2003 from \$ 173,809,000 at February 28, 2003. Our current ratio decreased slightly from 3.85 at February 28, 2003 to 3.67 at August 31, 2003. The increase in our working capital was largely due to the increase in accounts receivable and inventory levels offset partially by a smaller increase in accounts payable and income taxes payable.

In connection with the acquisition of a 55 percent interest in Tactica, we loaned \$3,500,000 to the minority shareholders of Tactica. The interest rate on these loans is 8.75 percent. All principal and unpaid interest on these loans is due March 14, 2005. The total amounts of principal and accrued interest due to the Company under these loans were \$ 4,562,000 and \$ 4,409,000 at August 31, 2003 and February 28, 2003, respectively. These amounts are included in "Other assets" on the Consolidated Condensed Balance Sheets.

The Company maintains a revolving line of credit 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). This facility, which was originally set to expire on August 31, 2003, was extended through October 30, 2003. At August 31, 2003 the interest rate charged under the line of credit was 2.11 percent. This existing line of credit allows for the issuance of letters of credit of up to \$7,000,000. Any outstanding letters of credit reduce the existing \$ 25,000,000 maximum borrowing limit on a dollar-for-dollar basis. At August 31, 2003, there were no borrowings under this line of credit and outstanding letters of credit totaled \$5,115,000.

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On September 22, 2003, certain subsidiaries entered into a new credit facility with Bank of America in the amount of \$ 50,000,000 to facilitate additional short-term borrowings and the issuance of letters of credit. All borrowings are at interest rates equal to the higher of the Federal Funds Rate plus 0.50% or the Bank of America's prime; or upon timely election by the Company, on the respective 1, 2, 3, or 6 month LIBOR rate plus 0.75% (based upon the term of the borrowing).

The line allows for issuance of letters of credit up to \$ 10,000,000, which will reduce the maximum credit line borrowing limit dollar for dollar. The credit facility expires in September of 2004. On September 29, 2003, the Company used \$32,000,000 of this line to fund the acquisition of the Brut(R) family of products from Unilever.

Both the existing and new credit agreements require the maintenance of certain Debt/EBITDA, and fixed charge coverage ratios, and other customary covenants common to loan facilities of this nature. Both agreements have also been fully guaranteed, on a joint and several basis, by our parent company, located in Bermuda and certain U.S. subsidiaries.

Our contractual obligations and commercial commitments as of August 31, 2003 were:

### PAYMENTS DUE BY PERIOD (IN THOUSANDS)

Contractual Obligations	Total	1 year	2 years	3 years	4 years	5 years
Long-term debt	\$ 55,000	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ 13,000
Open purchase orders - inventory	51,470	51,470	-	-	-	-
Minimum royalty payments	21,784	4,312	3,473	2,775	2,653	2,640
Advertising and promotional commitments	21,242	5,907	6,211	3,031	1,474	880
Operating leases	3,897	1,552	1,318	849	178	-
Purchase and implementation of enterprise resource planning (ERP) system	3,718	3,718	-	-	-	-
Other	1,570	362	362	363	362	120
<b>Total contractual obligations</b>	<b>\$158,681</b>	<b>\$ 67,321</b>	<b>\$ 21,364</b>	<b>\$ 17,018</b>	<b>\$ 14,667</b>	<b>\$ 16,650</b>

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

Under a June 2003 Board of Directors resolution, the Company may repurchase up to a total of 3,000,000 shares of its common stock over a period extending to May 31, 2006. In September 2003, pursuant to this resolution, the Company repurchased 81,800 shares of stock for \$ 2,025,000, for a \$ 24.76 per share average price.

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 foreseeable short and long-term liquidity requirements. We expect that our capital needs will stem primarily from the need to purchase sufficient levels of inventory and to carry normal levels of accounts receivable on our balance

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sheet. In addition, we evaluate acquisition opportunities on a regular basis and may augment our internal growth with acquisitions of complementary businesses or product lines. Additionally, we may 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 the status of the capital markets at the time of such acquisition.

On October 2, 2003 the Company announced that it has started evaluating strategic alternatives for its investment in Tactica with a view towards maximizing shareholder value. These alternatives include a possible sale of all or a partial interest in Tactica. There can be no assurance that any transaction involving Tactica will occur, or that the impact of such a sale will have a favorable effect on the Company's liquidity.

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### INCOME TAXES

The Hong Kong Inland Revenue Department ("IRD") has assessed \$6,753,000 in tax on certain profits of our foreign subsidiaries for the fiscal years 1995 through 1997. If the IRD were to assert the same position for later years and that position were to prevail, the resulting tax liability would total approximately \$ 38,980,000 for fiscal 1995 through the fiscal quarter ended August 31, 2003. We have recorded a liability for the IRD's claims and potential claims, based on consultations with outside Hong Kong tax counsel as to the probability that some or all of the IRD's claims prevail. Although the ultimate resolution of the IRD's claims and potential claims cannot be predicted with certainty, we believe that an adequate provision has been made in the financial statements for the resolution of those claims. In connection with the IRD's tax assessment for the fiscal years 1995 through 1997, we purchased tax reserve certificates in Hong Kong. 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. As of August 31, 2003 and February 28, 2003, the tax reserve certificates were valued at \$ 3,282,000 (U.S.), or approximately 49 percent of the liability assessed by the IRD for fiscal 1995 through 1997. The value of the tax reserve certificates comprises part of the amounts reported on the line entitled "Other assets" on the Company's August 31, 2003 and February 28, 2003 Consolidated Condensed Balance Sheets.

The United States Internal Revenue Service ("IRS") has audited the U.S. federal tax returns of our largest U.S. subsidiary for fiscal years 1997 through 1999. The IRS has proposed adjustments to those returns. If the IRS's positions with respect to those adjustments were to prevail, the resulting tax liability could total \$ 7,500,000. We are vigorously contesting these adjustments. Although the ultimate outcome of the examination cannot be predicted with certainty, we are of the opinion that adequate provision for the adjustments proposed has been made in our Condensed Consolidated Financial Statements. The IRS also is auditing the U.S. federal tax returns of the Company's largest U.S. subsidiary for fiscal years 2000 through 2002. To date, the IRS has not proposed any material adjustments to these returns. We cannot predict with certainty the results of the IRS audits for these years.

### PROPOSED UNITED STATES FEDERAL INCOME TAX LEGISLATION

Currently, we benefit from an international corporate structure that results in relatively low tax rates on a consolidated basis. If we were to encounter significant changes in the rates or rules imposed by certain key taxing jurisdictions, such changes could have a material adverse effect on the

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Company's consolidated financial position and profitability. In 1994, we engaged in a corporate restructuring that, among other things, resulted in a portion of our income not being subject to taxation in the United States. If such income were subject to United States federal income taxes, our effective income tax rate would increase materially. Several bills have been introduced recently in the United States Congress that, if enacted into law, could adversely affect our United States federal income tax status. At least one of the bills introduced would apply to companies such as ours that restructured several years ago. That bill could, if enacted into law, subject all of our income to United States income taxes, thereby reducing our net income. Other bills introduced recently would exempt restructuring transactions, such as ours, that were completed before certain dates in 2001 and under certain conditions thereafter, but would limit the deductibility of certain intercompany transactions for U.S. income tax purposes and would subject gains on certain asset transfers to U.S. income tax. In addition to the legislation introduced in Congress, the United States Treasury Department has issued a study of restructurings such as ours, which concluded in part that additional limitations should be imposed on the deductibility of certain inter-company transactions. It is not currently possible to predict whether any legislation that has been introduced will become law, whether any additional bills will be introduced, or the consequences of the Treasury Department's study. However, there is a risk that new laws in the United States, or elsewhere, 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 consolidated financial position and profitability.

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### 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 and the United States, estimates of credits to be issued to customers for sales that have already been recorded, the valuation of inventory on a lower-of-cost-or-market basis, the carrying value of long-lived assets and the economic useful life of intangible assets.

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 Condensed Consolidated Statements of Income for the three months and six months ended August 31, 2003 and 2002 include 100 percent of Tactica's net income and losses for those periods. We will continue to recognize all of Tactica's net income or loss until Tactica's accumulated deficit is extinguished. At August 31, 2003, Tactica's accumulated deficit totaled \$ 3,561,000.

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 IRD has assessed \$ 6,753,000



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in tax on certain profits of the Company's foreign subsidiaries for the fiscal years 1995 through 1997. In connection with the IRD's tax assessment for the fiscal years 1995 through 1997, the Company also purchased tax reserve certificates in Hong Kong. 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. As of August 31, 2003 and February 28, 2003, the tax reserve certificates were valued at \$ 3,282,000 (U.S.), or approximately 49 percent of the liability assessed by the IRD for fiscal 1995 through 1997. 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 \$38,980,000 (U.S.) for the period from fiscal 1995 through August 31, 2003. 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 counsel 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 Condensed Balance Sheets.

The United States Internal Revenue Service ("IRS") has audited the U.S. federal tax returns of our largest U.S. subsidiary for fiscal years 1997 through 1999. The IRS has proposed adjustments to those returns. If the IRS's positions with respect to those adjustments were to prevail, the resulting tax liability could total \$ 7,500,000. The Company is vigorously contesting these adjustments. Although the ultimate outcome of the examination cannot be predicted with certainty, we are of the opinion that adequate provision for the adjustments proposed has been made in our Condensed Consolidated Financial Statements. The IRS also is auditing the U.S. federal tax returns of the Company's largest U.S. subsidiary for fiscal years 2000 through 2002. To date, the IRS has not proposed any material adjustments to these returns. The Company cannot predict with certainty the results of the IRS audits for these years.

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.

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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

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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 completed our analysis of the carrying value of our goodwill during the first quarter of fiscal 2004 and, accordingly, recorded no impairment.

**ECONOMIC USEFUL LIFE OF INTANGIBLE ASSETS** - We apply 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. We completed our analysis of the useful economic lives of our intangible assets during the first quarter of fiscal 2004 and determined that the useful lives currently being used to determine amortization of each asset are appropriate.

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.

### 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.

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Factors that could cause actual results to differ from those anticipated include:

- general industry conditions and competition,

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- credit risks,
- the Company's, or its operating segments', material reliance on individual customers or small numbers of customers,
- the Company's material reliance on certain trademarks,
- the impact of tax legislation, regulations, or treaties, including proposed legislation in the United States that would affect companies or subsidiaries of companies that have headquarters outside the United States and file U.S. income tax returns,
- the impact of other current and future laws and regulations,
- the results of our disagreement with the Hong Kong Inland Revenue Department concerning the portion of our profits that are subject to Hong Kong income tax,
- any future disagreements with the United States Internal Revenue Service or other taxing authority regarding our assessment of the effects or interpretation of existing tax laws, regulations, or treaties,
- risks associated with inventory, including potential obsolescence,
- risks associated with new products and new product lines,
- risks associated with the Company's material reliance on certain manufacturers for a significant portion of its production needs,
- risks associated with operating in foreign jurisdictions,
- foreign currency exchange losses,
- worldwide and domestic economic conditions,
- uninsured losses,
- reliance on computer systems,
- management's reliance on the representations of third parties,
- risks associated with new business ventures and acquisitions,
- risks associated with investments in equity securities, and
- the risks described from time to time in the Company's reports to the Securities and Exchange Commission, including this report.

### NEW ACCOUNTING GUIDANCE

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

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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 financial statements.

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The following table sets forth the computation of basic and diluted earnings per share for the three months and six months months ended August 31, 2003 and August 31, 2002, and illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation" to stock-based employee compensation.

### PROFORMA STOCK-BASED EMPLOYEE COMPENSATION (IN THOUSANDS, EXCEPT PER SHARE DATA)

		Three months ended August 31,	2002	Six months ended	
		2003		2003	
		-----	-----	-----	-----
Net Income:	As Reported	\$ 13,098	\$ 8,876	\$ 27,942	\$
	Fair-value cost	2,956	2,321	4,797	
	Proforma	\$ 10,142	\$ 6,555	\$ 23,145	\$
		=====	=====	=====	=====
Earnings per share:					
	Basic:				
	As Reported	\$ 0.46	\$ 0.31	\$ 0.99	\$
	Proforma	0.36	0.23	0.82	
	Diluted:				
	As Reported	\$ 0.42	\$ 0.30	\$ 0.92	\$
	Proforma	0.33	0.22	0.76	

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 Note 9 in our consolidated condensed financial statements.

On April 30, 2003, the FASB issued FASB Statement No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). These amendments clarify the definition of derivatives, expand the nature of exemptions from Statement 133, clarify the application of hedge accounting when using certain instruments and modify the cash flow presentation of derivative instruments that contain financing elements. The Statement clarifies the

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accounting for option-based contracts used as hedging instruments in a cash flow hedge of the variability of the functional-currency-equivalent cash flows for a recognized foreign-currency-denominated asset or liability that is remeasured at spot exchange rates. This approach was issued to alleviate income statement volatility that is generated by the mark-to-market accounting of an option's time value component. This Statement is effective for all derivative transactions and hedging relationships entered into or modified after June 30, 2003. These types of contracts are discussed in Note 14 in our consolidated condensed financial statements. Management does not believe that SFAS 149 will have a material effect on our consolidated financial statements.

In May 2003, the FASB issued FASB Statement No. 150 "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). This Statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that issuers classify as liabilities a financial instrument that is within its scope as a liability because that financial instrument embodies an obligation of the issuer. This Statement does not affect the timing of recognition of financial instruments as contingent consideration nor does it apply to obligations under stock-based compensation arrangements if those obligations are accounted

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for under APB Opinion No. 25. We are still reviewing the effects of SFAS 150 on our financial statements. We currently believe that we do not have any financial instruments that are covered under this statement; however we will make interim disclosures required by SFAS 150 in our next interim report if considered necessary.

### ITEM 3. 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 agreements 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. One agreement allows maximum borrowings of \$ 25,000,000. At August 31, 2003, no borrowings were outstanding under this agreement. A second agreement, entered into after August 31, 2003 allows for maximum borrowings of \$ 50,000,000. At August 31, 2003 there were no borrowings under this agreement, however in September of 2003, the Company drew \$ 32,000,000 against this new line. The need to borrow under this new agreement could ultimately subject us to higher interest rates, thus increasing the future 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, France, Brazil, Canada, and Mexico are transacted in U.S. Dollars. The majority of our

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sales are in the United Kingdom which are transacted in British Pounds, in France and Germany which are invoiced in Euros, and in Canada which are transacted in Canadian Dollars. 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.

Our net sales denominated originally in currencies other than the U.S. Dollar totaled approximately \$ 13,046,000 and \$ 6,896,000 for the quarters ended August 31, 2003 and August 31, 2002, and \$ 22,799,000 and \$ 11,237,000 for the six months there ended, converted at the month-end exchange rates. Our foreign currency exchange gains totaled \$ 653,000 and \$ 673,000 for quarters ended August 31, 2003 and August 31, 2002, and a loss of \$ 87,000 and gain of \$ 926,000 for the six months ended August 31, 2003 and August 31, 2002, respectively.

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 1.5480 dollars per British Pound. This forward contract closed during March 2003. During the quarter ended May 31, 2003, we entered into two series of forward contracts. The first contract was to exchange 5,000,000 British Pounds for U.S. Dollars at rates ranging from 1.6056 to 1.6153 U.S. Dollars per British Pound. The second forward contract was to exchange 2,500,000 Euros for U.S. Dollars at a rate of 1.09 U.S. Dollars per Euro. All forward contracts remained outstanding at August 31, 2003 and are scheduled to expire by February 28, 2004. We do not anticipate entering into any additional forward contracts at this time.

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### ITEM 4. 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. Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

During the Company's fiscal quarter ended August 31, 2003, no change occurred in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

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

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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. The Company intervened as a plaintiff in the action to assert claims against Conair similar to the claims raised 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. In June 2003, the parties to the litigation settled their claims and the proceeding was dismissed. See Note 15 to the Company's Consolidated Condensed Financial Statements for the fiscal quarter ended August 31, 2003 for a description of the impact of the settlement of this litigation and one other lawsuit on the Company's consolidated condensed financial statements.

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

The Company's Annual Meeting of Shareholders was held August 26, 2003 in El Paso, Texas. At that meeting, the shareholders voted on the following proposals:

- Proposal 1. Election of a board of seven directors;
- Proposal 2. Amendment to the Helen of Troy 1998 Stock Option and Restricted Stock Plan to increase the number of shares of the Company's common stock available under such plan;
- Proposal 3. Amendment to the Helen of Troy 1997 Cash Bonus Performance Plan to amend the bonus payable to the Company's Chief Executive Officer and President; and
- Proposal 4. Appointment of KPMG LLP as independent auditors of the Company to serve for the 2004 fiscal year.

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A description of the foregoing matters is contained in the Company's Proxy Statement dated July 17, 2003, relating to the 2003 Annual Meeting of Shareholders.

With respect to Proposal 1, the directors received the following votes:

	For -----	Against -----
Gary B. Abromovitz	24,880,426	780,183
John B. Butterworth	24,872,825	787,784
Christopher L. Carameros	24,810,457	850,152
Daniel C. Montano	24,287,062	1,373,547
Byron H. Rubin	24,788,959	871,650
Gerald J. Rubin	24,798,173	862,436
Stanlee N. Rubin	24,786,127	874,482

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Proposal 2, to amend the limited 1998 Stock Option Plan and Restricted Stock plan received the following votes:

For ---	Against -----	Abstentions -----	Broker Non-Votes -----
5,433,885	12,151,027	515,747	-

Proposal 3, to amend the 1997 Cash Bonus Performance Plan received the following votes:

For ---	Against -----	Abstentions -----	Broker Non-Votes -----
12,717,019	4,845,849	537,791	-

Proposal 4, to appoint KPMG LLP as independent auditors received the following votes:

For ---	Against -----	Abstentions -----	Broker Non-Votes -----
25,479,518	123,840	57,251	-

### ITEM 5. OTHER INFORMATION

On October 2, 2003 the Company announced that it has started evaluating strategic alternatives for its investment in Tactica with a view towards maximizing shareholder value. These alternatives include a possible sale of all or a partial interest in Tactica. There can be no assurance that any transaction involving Tactica will occur.

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### ITEM 6. EXHIBITS AND REPORT ON FORM 8-K

- |     |          |  |
|-----|----------|--|
| (a) | Exhibits |  |
|     | 10.1     | Amended 1997 Cash Bonus Performance Plan   |
|     | 31.1     | Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
|     | 31.2     | Certification of the Chief Financial Officer   |



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required by Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Report on Form 8-K

On July 16, 2003, the Company furnished a report on Form 8-K in connection with the public announcement of its 1st quarter fiscal 2003 earnings release and its board approval of a \$ 3,000,000 stock repurchase plan.

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SIGNATURES

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

HELEN OF TROY LIMITED

-----  
(Registrant)

Date November 18, 2003

/s/ Gerald J. Rubin  
-----

Gerald J. Rubin  
Chairman of the Board, Chief  
Executive Officer and President  
(Principal Executive Officer)

Date November 18, 2003

/s/ Thomas J. Benson  
-----

Thomas J. Benson  
Senior Vice-President  
and Chief Financial Officer  
(Principal Financial Officer)

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INDEX TO EXHIBITS

10.1 Amended 1997 Cash Bonus Performance Plan

31.1 Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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- 31.2 Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.