

FORM 10-Q

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

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

For the quarterly period ended March 31, 2003

Commission file number 1-19254

Lifetime Hoan Corporation
(Exact name of registrant as specified in its charter)

Delaware 11-2682486
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

One Merrick Avenue, Westbury, NY 11590
(Address of principal executive offices) (Zip Code)

(516) 683-6000
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former name, former address and former fiscal year, if changed since last
report)

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 Exchange Act)

Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Common Stock, \$.01 Par Value 10,560,704 shares outstanding as of April 30, 2003

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIFETIME HOAN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2003 (unaudited)	December 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$108	\$62
Accounts receivable, less allowances of \$2,684 in 2003 and \$3,888 in 2002	12,680	19,143
Merchandise inventories	42,763	41,333
Prepaid expenses	2,144	1,603
Deferred income taxes	-	15
Other current assets	2,645	2,505
TOTAL CURRENT ASSETS	60,340	64,661
PROPERTY AND EQUIPMENT, net	20,408	20,850
EXCESS OF COST OVER NET ASSETS ACQUIRED, net	14,952	14,952
OTHER INTANGIBLES, net	8,903	9,000
OTHER ASSETS	2,119	2,123
TOTAL ASSETS	\$106,722	\$111,586
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$11,500	\$14,200
Accounts payable and trade acceptances	3,871	2,720
Accrued expenses	13,503	13,894
Income taxes payable	802	2,463
TOTAL CURRENT LIABILITIES	29,676	33,277
STOCKHOLDERS' EQUITY		
Common Stock, \$.01 par value, shares authorized 25,000,000; shares issued and outstanding 10,560,704 in 2003 and 10,560,704 in 2002	106	106
Paid-in capital	61,405	61,405
Retained earnings	16,014	17,277
Notes receivable for shares issued to stockholders	(479)	(479)
TOTAL STOCKHOLDERS' EQUITY	77,046	78,309
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$106,722	\$111,586

See notes to condensed consolidated financial statements.

LIFETIME HOAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (in thousands, except per share data) (unaudited)

	Three Months Ended March 31,	
	2003	2002
Net Sales	\$24,284	\$24,187
Cost of Sales	13,426	13,126
Distribution Expenses	4,454	5,816
Selling, General and Administrative Expenses	7,321	6,852
Loss from Operations	(917)	(1,607)
Interest Expense	111	227

Other Income	(17)	(22)
Loss Before Income Taxes	(1,011)	(1,812)
Income Tax Benefit	(409)	(732)
Loss from Continuing Operations	(602)	(1,080)
Loss from Discontinued Operations, net of tax	-	(117)
NET LOSS	(\$602)	(\$1,197)
BASIC AND DILUTED LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS	(\$0.06)	(\$0.10)
LOSS PER COMMON SHARE FROM DISCONTINUED OPERATIONS	-	(\$0.01)
BASIC AND DILUTED LOSS PER COMMON SHARE	(\$0.06)	(\$0.11)

See notes to condensed consolidated financial statements.

LIFETIME HOAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (unaudited)

	Three Months Ended March 31,	
	2003	2002
OPERATING ACTIVITIES		
Net loss	(\$602)	(\$1,197)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	844	863
Deferred income taxes	412	148
Provision for losses on accounts receivable	49	9
Reserve for sales returns and allowances	1,316	1,527
Minority interest	-	73
Changes in operating assets and liabilities:		
Accounts receivable	5,098	2,609
Merchandise inventories	(1,430)	(384)
Prepaid expenses, other current assets and other assets	(677)	(1,883)
Accounts payable and trade acceptances and accrued expenses	363	(607)
Accrued income taxes payable	(1,661)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,712	1,158
INVESTING ACTIVITIES		
Purchase of property and equipment	(305)	(514)
NET CASH USED IN INVESTING ACTIVITIES	(305)	(514)
FINANCING ACTIVITIES		
Repayment of short-term borrowings	(2,700)	(5,038)
Cash dividends paid	(661)	(655)
Proceeds from the exercise of stock options	-	32

NET CASH USED IN FINANCING ACTIVITIES	(3,361)	(5,661)
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Effect of exchange rate on cash and cash equivalents	-	140
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46	(4,877)
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Cash and cash equivalents at beginning of period	62	5,021
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$108	\$144
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See notes to condensed consolidated financial statements.

LIFETIME HOAN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note A - Basis of Presentation The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Note B - Inventories

Merchandise inventories, principally finished goods, are priced at the lower of cost (first-in, first-out basis) or market method.

Note C - Distribution Expenses

Distribution expenses primarily consist of freight-out, warehousing expenses, and handling cost of products sold. These expenses also include relocation charges, duplicate rent and other costs associated with the Company's move into its Robbinsville, New Jersey warehouse, amounting to \$0.4 million in the first quarter of 2003 as compared to \$1.0 million in the first quarter of 2002.

Note D - Credit Facility

As of March 31, 2003, the Company had \$1.7 million of letters of credit and trade acceptances outstanding and \$11.5 million of borrowings under its \$40 million three-year secured, reducing revolving credit agreement (the "Agreement"), and as a result, the availability under the Agreement was \$26.8 million. Interest rates on borrowings at March 31, 2003 ranged from 3.125% to 4.125%.

Note E - Capital Stock and Stock Options

Cash Dividends: On January 16, 2003, the Board of Directors of the Company declared a quarterly cash dividend of \$0.0625 per share to stockholders of record on February 6, 2003, paid on February 20, 2003. On April 29, 2003, the Board of Directors declared a regular quarterly cash dividend of \$0.0625 per share to stockholders of record on May 5, 2003, to be paid on May 20, 2003.

Loss Per Share: Basic and diluted loss per share have been computed by dividing net loss by the weighted average number of common shares outstanding of 10,561,000 for the three months ended March 31, 2003 and 10,493,000 for the three months ended March

31, 2002. The effects of outstanding stock options on the weighted average number of common shares outstanding have been excluded for purposes of determining diluted loss per share for all periods presented as their effects would be antidilutive.

LIFETIME HOAN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note E - Capital Stock and Stock Options (continued)

Accounting for Stock Option Plan: The Company has a stock option plan, which is more fully described in the footnotes to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. The Company accounts for options granted under the plan under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. No stock-based employee compensation cost is reflected in net loss, as all options granted under the plans had an exercise price equal to the market values of the underlying common stock on the date of grant. The following table illustrates the effect on net loss and net loss per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" to stock-based employee compensation.

	Three Months Ended March 31, (in thousands, except per share data)	
	2003	2002
Net loss, as reported	(\$602)	(\$1,197)
Deduct: Total stock option employee compensation expense determined under fair value based method for all awards, net of related tax effects	(8)	(47)
Proforma net loss	(\$610)	(\$1,244)
Loss per common share:		
Basic and diluted - as reported	(\$0.06)	(\$0.11)
Basic and diluted - proforma	(\$0.06)	(\$0.12)

Note F - Sale of Prestige Companies

Effective September 27, 2002, the Company sold its 51% controlling interest in Prestige Italiana, Spa and, together with its minority interest shareholder, caused Prestige Haushaltswaren GmbH (together with Prestige Italiana, Spa, "Prestige Companies") to sell all of its receivables and inventory to a European housewares distributor. Accordingly, the Company has classified the Prestige Companies business as discontinued operations. Net sales for the Prestige Companies totaled \$2.2 million for the three-month period ended March 31, 2002. Net loss from the Prestige Companies discontinued operations totaled \$117,000 for the three-month period ended March 31, 2002. For 2002, the Company has reclassified its financial statements to reflect the results of operations of the Prestige Companies as discontinued operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth income statement data of the Company as a percentage of net sales for the periods indicated below.

	Three Months Ended March 31,	
	2003	2002
Net sales	100.0 %	100.0 %
Cost of sales	55.3	54.3
Distribution expenses	18.4	24.1
Selling, general and administrative expenses	30.1	28.3
Loss from operations	(3.8)	(6.7)
Interest expense	0.5	0.9
Other income	(0.1)	(0.1)
Loss before income taxes	(4.2)	(7.5)
Income tax benefit	(1.7)	(3.0)
Loss from continuing operations	(2.5)	(4.5)
Loss from discontinued operations	-	(0.4)
Net loss	(2.5) %	(4.9) %

Seasonality

Although the Company sells its products throughout the year, the Company has traditionally had higher net sales during its third and fourth quarters. Accordingly, operating results for the three months ending March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

Three Months Ended March 31, 2003 Compared to Three Months ended March 31, 2002

Net Sales

Net sales for the three months ended March 31, 2003 were \$24.3 million, an increase of \$0.1 million or 0.4% over the comparable 2002 period. The increase in sales volume in the first quarter was attributable primarily to slightly higher sales in the Company's core or traditional business, partially offset by lower sales in the Kamenstein business.

Cost of Sales

Cost of sales for the three months ended March 31, 2003 was \$13.4 million, an increase of \$0.3 million or 2.3% from the comparable 2002 period. Cost of sales as a percentage of net sales increased to 55.3% from 54.3%, primarily as a result of selling discontinued products at aggressive prices during the first quarter of 2003. Excluding discontinued products, the cost of sales as a percentage of net sales was approximately the same as for the prior year quarter.

Distribution Expenses

Distribution expenses for the three months ended March 31, 2003 were \$4.5 million, a decrease of \$1.4 million, or 23.4%, from the comparable 2002 period. Excluding the expenses associated with the move to the new Robbinsville, New Jersey warehouse, which were approximately \$0.4 million in the first quarter of 2003 as compared to \$1.0 million in the first quarter of 2002, distribution expenses decreased by approximately \$0.7 million in the first quarter of 2003. The lower expenses were primarily decreased payroll expense, the result of labor efficiencies realized from the new systems in our Robbinsville, New Jersey warehouse.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended March 31, 2003 were \$7.3 million, an increase of 6.8%, or \$0.5 million, over the comparable 2002 period. The increase was primarily attributable to higher personnel costs, including a planned increase in product development staffing, and increased

operating expenses in the outlet stores associated with an increase in the number of stores in operation in the first quarter of 2003.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a \$40 million three-year secured, reducing revolving credit facility under an agreement (the "Agreement") with a group of banks. The credit facility reduces to \$35 million at December 31, 2003 and has a maturity date of November 8, 2004. Borrowings under the Agreement are secured by all of the assets of the Company. Under the terms of the Agreement, the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; and net worth maintenance. Borrowings under the Agreement have different interest rate options that are based on an alternate base rate, LIBOR rate, or the lender's cost of funds rate. As of March 31, 2003, the Company had \$1.7 million of letters of credit and trade acceptances outstanding and \$11.5 million of borrowings under the Agreement and, as a result, the availability under the Agreement was \$26.8 million. Interest rates on borrowings at March 31, 2003 ranged from 3.125% to 4.125%.

At March 31, 2003, the Company had cash and cash equivalents of \$108,000 versus \$62,000 at December 31, 2002.

On April 29, 2003, the Board of Directors declared a regular quarterly cash dividend of \$0.0625 per share to stockholders of record on May 5, 2003, to be paid on May 20, 2003. The dividend to be paid will be approximately \$660,000.

The Company believes that its cash and cash equivalents, internally generated funds and its existing credit arrangements will be sufficient to finance its operations for at least the next twelve months.

The results of operations of the Company for the periods discussed have not been significantly affected by inflation or foreign currency fluctuation. The Company negotiates all of its purchase orders with its foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuation in foreign currencies, the cost of the Company's purchase orders is generally not subject to change after the time the order is placed. However, the weakening of the United States dollar against local currencies could lead certain manufacturers to increase their United States dollar prices for products. The Company believes it would be able to compensate for any such price increase.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of the Company. The Company is exposed to market risk associated with changes in interest rates. The Company's line of credit bears interest at variable rates. The Company is subject to increases and decreases in interest expense on its variable rate debt resulting from fluctuations in the interest rates of such debt. There have been no changes in interest rates that would have a material impact on the consolidated financial position, results of operations or cash flows of the Company for the three-month period ended March 31, 2003.

Item 4. Control and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of a date within 90 days prior to the date of the filing of this Report on Form 10-Q, that the Company's controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed by it under

the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of such evaluation.

PART II - OTHER INFORMATION

Forward Looking Statements: This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements concerning the Company's future products, results of operations and prospects. These forward-looking statements involve risks and uncertainties, including risks relating to general economic and business conditions, including changes which could affect customer payment practices or consumer spending; industry trends; the loss of major customers; changes in demand for the Company's products; the timing of orders received from customers; cost and availability of raw materials; increases in costs relating to manufacturing and transportation of products; dependence on foreign sources of supply and foreign manufacturing; and the seasonal nature of the business as detailed from time to time in the Company's filings with the Securities and Exchange Commission. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements.

Item 6. Exhibit(s) and Reports on Form 8-K.

(a) Exhibit(s) in the first quarter of 2003:

Exhibit 99.1 Certification by Jeffrey Siegel, Chief Executive Officer, and Robert McNally, 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) Reports on Form 8-K in the first quarter of 2003: NONE

SIGNATURES

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

Lifetime Hoan Corporation

May 14, 2003

/s/ Jeffrey Siegel

Jeffrey Siegel
Chief Executive Officer and President
(Principal Executive Officer)

May 14, 2003

/s/ Robert McNally

Robert McNally
Vice President - Finance and Treasurer
(Principal Financial and Accounting Officer)

CERTIFICATIONS

I, Jeffrey Siegel, certify that:

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

Date: May 14, 2003

____/s/ Jeffrey Siegel_____
Jeffrey Siegel
President and Chief Executive Officer

CERTIFICATIONS

I, Robert McNally, certify that:

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

Date: May 14, 2003

____/s/ Robert McNally_____
Robert McNally

Robert McNally
Vice President and Chief Financial
Officer

EXHIBIT 99.1

Certification by Jeffrey Siegel, Chief Executive Officer, and
Robert McNally, Chief Financial Officer,
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002.

I, Jeffrey Siegel, Chief Executive Officer, and I, Robert
McNally, Chief Financial Officer, of Lifetime Hoan Corporation, a
Delaware corporation (the "Company"), each hereby certifies that:

- (1) The Company's periodic report on Form 10-Q for the period
ended March 31, 2003 (the "Form 10-Q") fully complies with the
requirements of Section 13(a) or 15(d) of the Securities Exchange
Act of 1934, as amended; and
- (2) The information contained in the Form 10-Q fairly presents,
in all material respects, the financial condition and results of
operations of the Company.

/s/ Jeffrey Siegel
Jeffrey Siegel
Chief Executive Officer

Date: May 14, 2003

/s/ Robert McNally
Robert McNally
Chief Financial Officer

Date: May 14, 2003