LIFETIME BRANDS, INC
Form 8-K/A
September 21, 2005

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

FORM 8-K/A
Amendment No. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of report (Date of earliest event reported): July 11, 2005

Lifetime Brands, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

0-19254	11-2682486
(Commission File Number)	(IRS Employer Identification No.)

One Merrick Avenue, Westbury, New York	11590
(Address of Principal Executive Offices)	(Zip Code)

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

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

On July 15, 2005, Lifetime Brands, Inc. ("Lifetime" or the "Company") filed a Form 8-K under Item 2.01 to report the completion of its acquisition of the business and certain assets and liabilities of The Pfaltzgraff Co. ("Pfaltzgraff"). In response to parts (a) and (b) of Item 9.01 of such Form 8-K, Lifetime stated that it would file the required financial information by amendment, as permitted by Item 9.01(a)(4) and 9.01(b)(2) to Form 8-K.

Lifetime hereby amends its Form 8-K filed on July 15, 2005 in order to provide the financial information required by Item 9.01.

ITEM 9.01 Financial Statements and Exhibits

(a) Financial Statements of business acquired.

1. The audited consolidated balance sheets of The Pfaltzgraff Co. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholder's equity and cash flows for the years ended December 31, 2004, 2003 and 2002 and the notes to the consolidated financial statements together with the report thereon of KPMG LLP are attached hereto as Exhibit 99.1.

2. The unaudited condensed consolidated balance sheets of The Pfaltzgraff Co. and subsidiaries as of June 30, 2005 and December 31, 2004 and the related unaudited condensed consolidated statements of operations and cash flows for the six months ended June 30, 2005 and 2004 and the notes to the unaudited condensed consolidated financial statements are attached hereto as Exhibit 99.1.

(b) Pro forma financial information

The unaudited pro forma condensed combined balance sheet of the Company as of June 30, 2005 and unaudited pro forma condensed combined statements of operations for the six months ended June 30,2005 and the year ended December 31, 2004 are attached hereto as Exhibit 99.2.

(c) Exhibits.

23.1	Consent of KPMG LLP
99.1	Pfaltzgraff Financial Statements
99.2	Unaudited Pro Forma Condensed Combined Financial Information
99.3	The Asset Purchase Agreement dated as of June 17, 2005 by and among The Pfaltzgraff Co., The Pfaltzgraff Manufacturing Co. and Lifetime Brands, Inc., PFZ Acquisition Corp. and PFZ Outlet Retail, Inc. filed with a Current Report on Form 8-K dated June 17, 2005 and incorporated herein by reference.
99.4	Amendment No.1 to the Restated Credit Facility Agreement between Lifetime Hoan Corporation and the Bank of New York, dated July 11, 2005 filed with a Quarterly Report on Form 10-Q dated June 30, 2005 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act

of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

LIFETIME BRANDS, INC.

By: /s/ Robert McNally
Robert McNally
Vice President of Finance
and Chief Financial Officer

Dated: September 21, 2005

Exhibit Index

23.1 Consent of KPMG LLP

99.1 Pfaltzgraff Financial Statements

99.2 Unaudited Pro Forma Condensed Combined Financial Information

Exhibit 23.1

Consent of Independent Auditors'

The Board of Directors
Lifetime Brands, Inc.

We consent to the use of our report dated September 16, 2005, with respect to the consolidated balance sheets of The Pfaltzgraff Co. and subsidiaries, a wholly-owned subsidiary of Susquehanna Pfaltzgraff Co., as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholder's equity, and cash flows for each of the years in the three-year period ended December 31, 2004, which report is included in the Form 8-K/A of Lifetime Brands, Inc. as originally dated July 11, 2005.

/s/ KPMG LLP
Harrisburg, Pennsylvania
September 19, 2005

Exhibit 99.1

THE PFALTZGRAFF CO. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Report

The Board of Directors
TPC-York, Inc. (formerly The Pfaltzgraff Co.):

We have audited the accompanying consolidated balance sheets of The Pfaltzgraff Co. and subsidiaries (the Company), a wholly-owned subsidiary of Susquehanna Pfaltzgraff Co., as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholder's equity and cash flows for each of the years in the three year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Pfaltzgraff Co. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
September 16, 2005

THE PFALTZGRAFF CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2004	December 31, 2003
ASSETS		
Current Assets		
Cash and cash equivalents	$ 716	$ -
Accounts receivable, less allowance for doubtful accounts and sales returns of $1,775 in 2004 and $2,239 in 2003 (Note 2)	4,634	6,332
Inventories (Notes 2 and 3)	25,956	33,952
Other current assets	2,526	2,730
Total Current Assets	33,832	43,014
Property, Plant and Equipment, at cost (Note 2)		
Land	1,817	1,817
Buildings and improvements	23,798	24,754
Machinery and equipment	74,173	80,056
Construction-in-progress	495	881
	100,283	107,508
Accumulated depreciation and amortization	80,590	83,040
Property, Plant and Equipment, net	19,693	24,468
Income Taxes Receivable From Parent (Note 4)	25,299	21,174
Deferred Income Taxes (Note 4)	-	488
Prepaid Pension Costs (Note 5)	10,531	9,890
Other Assets	121	599
	$ 89,476	$ 99,633
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Cash overdrafts	$ -	$ 123
Accounts payable	3,150	5,540
Accrued interest	38	42
Deferred income taxes (Note 4)	1,613	3,735
Accrued restructuring and closing costs (Note 8)	565	1,132
Accrued salaries and benefits	1,403	1,175

Accrued advertising	1,994	1,595
Other accrued expenses	2,113	1,711
Total Current Liabilities	10,876	15,053
Long-term Debt (Note 2)	9,139	7,633
Liability for Discontinued Operations (Note 9)	1,043	1,290
Deferred Income Taxes (Note 4)	1,777	-
Stockholder's Equity (Note 2)		
Preferred stock - 7% Non-cumulative, $1,000 par value, 20,000 shares authorized, issued and outstanding	20,000	20,000
Common stock - Class "A" Voting, $1 par value, 31,200,000 shares authorized, issued and outstanding	31,200	31,200
Additional paid-in capital	87,057	83,657
Accumulated deficit	(71,616)	(59,200)
Total Stockholder's Equity	66,641	75,657
	$ 89,476	$ 99,633

The accompanying notes are an integral part of the condensed consolidated financial statements.

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THE PFALTZGRAFF CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	For The Years Ended December 31,		
	2004	2003	2002
REVENUES	$148,021	$157,078	$185,158
COSTS AND EXPENSES			
Cost of sales	102,772	108,556	123,077
Selling	29,965	31,729	34,270
General and administrative	28,765	30,992	33,353
Interest	702	943	547
Restructuring and closing costs (Note 8)	3,431	5,783	3,293
Other	532	(260)	735
Total	166,167	177,743	195,275
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(18,146)	(20,665)	(10,117)
BENEFIT FOR INCOME TAXES (Note 4)	5,730	7,589	2,541
LOSS FROM CONTINUING OPERATIONS	(12,416)	(13,076)	(7,576)
DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT OF $134 FOR 2002	-	-	(291)
NET LOSS AND COMPREHENSIVE LOSS	$ (12,416)	$(13,076)	$(7,867)

The accompanying notes are an integral part of the condensed consolidated financial statements.

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THE PFALTZGRAFF CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(In thousands, except share data)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance as of January 1, 2002	$20,000	$31,200	$77,657	$(38,257)	$90,600
Net loss	-	-	-	(7,867)	(7,867)
Balance as of December 31, 2002	20,000	31,200	77,657	(46,124)	82,733
Net loss	-	-	-	(13,076)	(13,076)
Parent's capital contributions	-	-	6,000	-	6,000
Balance as of December 31, 2003	20,000	31,200	83,657	(59,200)	75,657
Net loss	-	-	-	(12,416)	(12,416)
Parent's capital contributions	-	-	3,400	-	3,400
Balance as of December 31, 2004	$20,000	$31,200	$87,057	$(71,616)	$66,641

Shares Issued and Outstanding

	Preferred Stock	Common Stock
January 1, 2002	20,000	31,200,000
December 31, 2002	20,000	31,200,000
December 31, 2003	20,000	31,200.000
December 31, 2004	20,000	31,200,000

The accompanying notes are an integral part of the condensed consolidated financial statements.

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THE PFALTZGRAFF CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (12,416)	$(13,076)	$(7,576)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	4,686	6,299	7,312
Deferred income taxes	144	613	996
Deferred financing amortization	93	148	47

Loss on sale of Shenango assets	-	-	1,371
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, net	1,698	(2,405)	2,793
Decrease (increase) in inventories	7,995	1,223	(367)
Increase in income taxes receivable from parent	(4,126)	(8,270)	(3,869)
Decrease (increase) in other current assets	204	919	(249)
Increase in prepaid pension costs	(640)	(817)	(997)
Decrease in accounts payable	(2,390)	(57)	(404)
Increase (decrease) in accrued interest	(4)	(7)	4
Increase (decrease) in accrued restructuring and closing costs	1,314	3,887	35
Increase (decrease) in accrued salaries and benefits	228	(492)	(452)
Increase (decrease) in accrued advertising	398	(84)	(100)
Increase (decrease) in other accrued expenses	403	(596)	839
Net cash used by operating activities of continuing operations	(2,413)	(12,715)	(617)
NET CASH USED BY DISCONTINUED OPERATIONS	(247)	(67)	(308)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment, net	(1,407)	(1,792)	(1,813)
Proceeds from sale of Shenango assets	-	-	50
Increase in other assets	-	(391)	(72)
Net cash used by investing activities	(1,407)	(2,183)	(1,835)
CASH FLOW FROM FINANCING ACTIVITIES			
Capital contributions by Parent	3,400	6,000	-
Increase in revolving credit borrowings	1,506	7,633	-
Increase (decrease) in cash overdrafts	(123)	123	-
Net cash provided by financing activities	4,783	13,756	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	716	(1,209)	(2,760)
CASH AND CASH EQUIVALENTS, beginning of year	$ -	$ 1,209	$ 3,969
CASH AND CASH EQUIVALENTS, end of year	$ 716	$ -	$ 1,209

The accompanying notes are an integral part of the condensed consolidated financial statements.

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1.Significant Accounting Policies

Nature of Operations - The Pfaltzgraff Co. (the Company) is a manufacturer, wholesaler and retailer of dinnerware and complementary housewares. The Company distributes its product primarily in the United States.

Principles of Consolidation - The consolidated financial

statements include the accounts of the Company and its subsidiaries, The Pfaltzgraff Outlet Co., The Pfaltzgraff Manufacturing Co., Treasure Craft, Inc., Pfaltzgraff Canada, Ltd. and Pfaltzgraff Investment Co. The Company is a wholly-owned subsidiary of Susquehanna Pfaltzgraff Co. (the Parent). All significant intercompany accounts and transactions are eliminated.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - Concentrations of credit risk include cash and accounts receivable. The Company deposits its cash in high-quality financial institutions. Periodically, deposited balances may exceed FDIC-insured maximums. Accounts receivable are largely from retail businesses whose ability to pay is subject to changes in general economic conditions. Credit risk is managed by credit and collection controls. The allowance for doubtful accounts is determined using historical experience, payment trends and credit information in the context of existing economic conditions. Three customers made up the following percentages of accounts receivable and revenues for the years ended

	2004	2003	2002
Accounts Receivable	66%	67%	48%
Revenues	14%	16%	12%

Cash and Cash Equivalents - The Company considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories - Inventories manufactured by the Company in the United States of America and certain sourced items are valued at the lower of last-in, first-out (LIFO) cost or market. Other inventories are valued at the lower of first-in, first-out (FIFO) cost or market.

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1. Significant Accounting Policies, continued

Property, Plant and Equipment - These assets are stated at cost. Depreciation and amortization are computed using the straight-line method for financial statement purposes based on the following ranges of estimated useful lives:

Buildings and improvements	10 to 40 years
Machinery and equipment	3 to 20 years

Depreciation and amortization expense was $4.7 million, $6.3 million and $7.3 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Asset additions and major renovations are capitalized and depreciated over their estimated useful lives. Periodically, asset lives are reviewed and adjusted based on facts and circumstances. Costs of maintenance, repairs and minor renovations are charged against income. Gains or losses on dispositions are credited to or charged against income. The costs and accumulated depreciation related to dispositions are removed from the accounts.

Revenue Recognition - Revenues are recognized on shipment of inventory or retail sale. Returns are reflected as a reduction of revenues. The Company estimates expected sales returns and allowances based on a periodic historical review and other factors. The company records shipping and handling charged to its customers in Revenues and the related cost of shipping and handling in Cost of Sales.

Advertising - Advertising costs are expensed as incurred.

Valuation of Long-Lived Assets - The Company evaluates the recoverability of its long-lived assets including property, plant and equipment whenever events or changes in circumstances suggest the carrying values may not be recoverable. Analyses based on undiscounted cash flows generated by the related operations and appraisals, trends or other indicators of fair value are used in these evaluations. If the asset's carrying value exceeds the indicated fair value, a loss is recognized for the difference between the fair value and the asset's carrying value.

Interest - Interest paid was $0.6 million, $0.8 million and $0.5 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Income Taxes - The Company uses the asset and liability method of accounting for income taxes. The benefit for income taxes includes income taxes currently payable and those deferred. Deferred income taxes reflect the future tax consequences of temporary differences between the tax bases of assets and liabilities and their financial reporting balances at each year-end. Changes in enacted tax rates are reflected in income taxes as they occur.

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1. Significant Accounting Policies, continued

Recent Accounting Pronouncements - In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51," (FIN 46). FIN 46 addresses the consolidation by

business enterprises of variable interest entities as defined in the Interpretation. FIN 46 applied immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. In December 2003, FASB issued FIN 46R, a revision of FIN 46, that delayed implementation for entities other than Special Purpose Entities. The Company must adopt FIN 46R in 2005. FIN 46R's impact has not yet been determined.

2.Long-term Debt

Long-term debt as of December 31, was as follows (in thousands):

	2004	2003
Notes Payable -		
Revolving credit loans	$ 9,139	$ 7,633

The revolving credit loan's stated value approximated its fair value. A credit agreement provided a revolving credit facility with a maximum commitment up to $30 million. Availability under the credit facility at any time was limited to a percentage of eligible accounts receivable and inventory. As of December 31, 2004, $4.9 million was available for borrowing under the facility.

The credit facility was available for working capital and capital expenditure requirements and was scheduled to mature in March 2006. The credit facility was repaid in July 2005 (see Note 10). Borrowings were secured by the Company's assets and were guaranteed by all domestic subsidiaries. On October 20, 2004, an amendment to the credit agreement was signed. The amendment changed the minimum adjusted net worth requirement and added a minimum excess availability requirement.

Interest rates on borrowings were at the prime rate plus up to 0.5% or at LIBOR plus 2.25% to 2.75%. As of December 31, 2004, the interest rate was 4.93%. Interest rates may be fixed for periods up to 180 days. Interest was payable monthly on prime and LIBOR-based loans. The Company could utilize up to $10 million of the facility for letters of credit. As of December 31, 2004, $2.5 million of letters of credit were outstanding. A fee of up to 0.5% of the facility's unused amount was payable monthly. The credit facility limited the Company's ability to pay dividends, make capital expenditures and acquisitions, and make payments to related parties.

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3.Inventories

Inventories as of December 31, were comprised of (in thousands):

	2004	2003
Finished goods	$ 17,645	$ 23,048
Work-in-process	6,540	8,254
Raw materials	1,771	2,650
	$ 25,956	$ 33,952

LIFO increments were costed using the link-chain method. External indices were used to determine the effect of price changes for manufactured and sourced item pools.

If all inventories were valued at the lower of FIFO cost or market, inventory values at December 31, 2004 and 2003 would have been $32.0 million and $40.0 million, respectively. Using the FIFO method would have increased the loss from continuing operations by $1.1 million in 2004, would not have changed the 2003 loss from continuing operations and would have decreased the 2002 loss from continuing operations by $0.4 million. A decrement in LIFO inventories increased the loss from continuing operations for 2003 by $0.6 million.

Retail and other inventories, valued at the lower of FIFO cost or market, were $9.0 million and $13.4 million at December 31, 2004 and 2003, respectively.

4.Income Taxes

Components of the benefit for income taxes for the years ended December 31, were as follows (in thousands):

	2004	2003	2002
Current			
Federal	$ 6,136	$ 8,255	$ 3,804
State	(262)	(53)	(111)
Foreign	-	-	(156)
Total current	5,874	8,202	3,537
Deferred			
Federal	(230)	(525)	(576)
State	86	(88)	(420)
Total deferred	(144)	(613)	(996)
Benefit for Income Taxes	$ 5,730	$ 7,589	$ 2,541

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4.Income Taxes, continued

Income taxes paid in 2004, 2003 and 2002 were $0.2 million, $0.1 million and $0.1 million, respectively.

The Company is included in its Parent's consolidated federal income tax return. The Company's tax provision

is first computed on a separate return basis. The consolidated federal income tax expense is allocated pro rata to all return group members. In accordance with a tax sharing agreement among its Parent and other subsidiaries, the Company receives pro rata benefit for losses that reduce income taxes paid or payable on a consolidated basis. Income taxes receivable from Parent arise from losses utilized in the consolidated federal income tax return. The tax sharing account must be settled with the Parent if the Company leaves the consolidated federal income tax return, or earlier at the Parent's sole discretion. During the year ended December 31, 2004, $2.0 million was received from the Parent and recognized as a reduction of income taxes receivable from parent.

At December 31, 2004 and 2003, deferred tax assets and liabilities resulted from the following temporary differences (in thousands):

	2004	2003
Deferred Tax Assets		
Allowance for doubtful accounts	$ 138	$ 135
Inventories	559	999
Environmental reserves	179	254
Returns and allowances reserve	475	695
Closing reserves	281	155
Liabilities not recognized for tax	661	276
Foreign NOL carryforwards	2,259	2,118
State net operating loss carryforward	10,837	10,053
	15,389	14,685
Deferred Tax Liabilities		
Property, plant and equipment	(1,997)	(2,121)
Retirement benefits	(3,664)	(3,613)
Other liabilities	(22)	(27)
	(5,683)	(5,761)
Valuation Allowances	(13,096)	(12,171)
Net deferred tax liabilities	$(3,390)	$(3,247)

The Company had $121.3 million and $111.7 million of state net operating loss carryforwards as of December 31, 2004 and 2003, respectively.

The Company has established a full valuation allowance for the tax effects of these state income tax loss carryforwards as utilization is uncertain. No current tax benefits were provided for these losses.

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4. Income Taxes, continued

One of the Company's foreign subsidiaries has established a full valuation allowance for its net operating loss carryforwards of $5.7 million and $5.3 million at

December 31, 2004 and 2003, respectively. The balance in the valuation allowance for foreign deferred tax assets as of December 31, 2004 and 2003 was $2.3 million and $2.1 million, respectively.

Reconciliations of the difference between the U.S. statutory income tax rate and the actual effective book income tax rate follow:

	2004	2003	2002
U. S. statutory rate	35.0%	35.0%	35.0%
State income taxes, net of Federal income tax effect	(0.6)	(0.4)	(3.3)
Permanent differences	(0.2)	(0.2)	(0.2)
Foreign taxes	-	-	(1.5)
Other	(2.6)	2.3	(5.9)
Annual effective book income tax rate	31.6%	36.7%	24.1%

5.Employee Benefits

Full-time employees participated in the Parent's Employee Stock Ownership Plan (ESOP). ESOP benefit costs of $2.2 million, $2.4 million and $4.3 million were recognized for the years ended December 31, 2004, 2003 and 2002, respectively. Effective January 1, 2005, the Company's employees ceased participation in the Parent's ESOP and became fully vested in their accounts.

Certain full-time employees of the Company and its subsidiaries were covered by the Parent's noncontributory qualified defined benefit pension plans (the Plans). Benefits under the Plans were based on employees' years of service and earnings over part or all of their careers through April 1999, when benefit accruals ceased and the ESOP was instituted.

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5.Employee Benefits, continued

The funded status of the Plans as of December 31, was (in thousands):

	2004	2003
Benefit obligation, beginning of year	$43,853	$38,941
Service cost	-	-
Interest cost	2,623	2,586
Actuarial losses	2,739	4,406
Benefits paid	(1,932)	(2,080)

Benefit obligation, end of year	47,283	43,853
Fair value of the Plans' assets, beginning of year	48,725	40,534
Actual return on the Plans' assets	4,850	10,271
Benefits paid	(1,932)	(2,080)
Fair value of the Plans' assets, end of year	51,643	48,725
Excess of fair value of the Plans' assets over benefit obligation at end of year	4,360	4,872
Unrecognized net actuarial losses	12,691	10,904
Unrecognized transition asset	-	-
Unrecognized prior service costs	816	884
Prepaid pension cost at December 31,	$17,867	$16,660

The Plans' net pension costs for the years ended December 31, included the following components (in thousands):

	2004	2003
Service cost	$ 240	$ 270
Interest cost	2,623	2,586
Expected return on plan assets	(4,371)	(4,402)
Amortization of transition asset	-	(7)
Amortization of loss	233	-
Amortization of prior service cost	68	68
Net periodic pension cost (income)	$(1,207)	$(1,485)

Pension income allocated to the Company for the years ended December 31, 2004, 2003 and 2002 was $0.6 million, $0.8 million and $1.0 million, respectively. The Company's share of prepaid pension costs as of December 31, 2004 and 2003 was $10.5 million and $9.9 million, respectively.

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5.Employee Benefits, continued

The Parent's funding policy for the Plans is to make contributions, as required by various regulations, not to exceed the maximum amounts deductible for federal income tax purposes. The Plans' assets, primarily listed bonds and stocks, are held by independent trustees.

The weighted average discount rate used in determining the actuarial present value of the Plans' projected benefit obligations was 5.74%, 6.10% and 6.75% for 2004, 2003 and 2002, respectively. The expected long-term rate of return on the Plans' assets was 8.75% for all three years.

The Parent also sponsors a defined contribution (401K) plan, which covers all full-time employees. The plan matches 75% of the first 2% of eligible compensation contributed by a participant. The match for Company employees was suspended September 1, 2003 as a cost-savings measure. The Company contributed $0.3 million to the plan for both the years ended December 31, 2003 and 2002. No contribution was made in 2004.

6.Lease Commitments

Total operating lease expenses recognized were $7.6 million, $8.9 million and $9.6 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Annual future aggregate minimum rental commitments under non-cancelable operating leases are as follows (in thousands):

2005	$ 6,029	2008	$ 2,543
2006	4,530	2009	1,675
2007	3,847	2010 and beyond	1,455

7.Related Parties

The Company purchased management, general and administrative services from its Parent at a cost of $4.2 million, $4.5 million and $5.9 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Included in operating leases for the years ended December 31, 2004, 2003 and 2002 were $0.8 million, $1.1 million and $0.9 million, respectively, for office and warehouse space rented from its Parent and a related partnership. These leases represent $0.7 million in annual rental commitments under non-cancelable operating leases in each year through 2009. From 2010 though 2012, the related party annual rental commitment is $0.2 million.

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8.Restructuring and Closing

The Company stopped production at its Nogales, Mexico facility in November 2003 and completed the facility's closing in March 2004. Certain other manufacturing operations were curtailed in 2004. The number of employees terminated in the restructurings was 48 and 278 in 2004 and 2003, respectively.

During 2002 and 2003, the Company continued its efforts to restructure operations and reduce costs. Retail stores were closed in 2002 and 2003. In 2002, the Company sold its Shenango refractories operation at a $1.4 million loss. Employees terminated in these

restructurings totaled 278 in 2003 and 65 in 2002.

A summary of restructuring and closing activities follows (in thousands):

	Contract Termination	Consolidation / Removal	Severance	Fixed Assets	Total
Balance as of January 1, 2002	$ 389	$ 35	$ 22	$ 54	$ 500
Charges	364	658	1,070	1,201	3,293
Payments/Uses	(435)	(658)	(842)	(1,323)	(3,258)
Balance as of December 31, 2002	318	35	250	(68)	535
Charges	1,484	1,410	751	2,138	5,783
Payments/Uses	(1,399)	(1,188)	(529)	(2,070)	(5,186)
Balance as of December 31, 2003	403	257	472	-	1,132
Charges	242	508	425	2,256	3,431
Payments/Uses	(511)	(532)	(699)	(2,256)	(3,998)
Balance as of December 31, 2004	$ 134	$ 233	$ 198	$ -	$ 565

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9.Liability for Discontinued Operations

Prior to the 1995 sale of its Syracuse China division, the Company executed a consent order with the New York Department of Environmental Conservation (DEC), under which the Company agreed to conduct a Remedial Investigation and Feasibility Study (RI/FS) of an on-site landfill and surrounding wetlands at Syracuse China's Court Street facility in Syracuse, New York. The purpose of the RI/FS was to investigate the environmental condition and develop alternatives for potential remediation of the site. Following completion of the work required by the RI/FS consent order, the Company negotiated with DEC regarding the exact nature and extent of the remediation of the landfill. This negotiation resulted in a Remedial Design/Remedial Construction Consent Order between the Company and DEC, which was executed in March 2000. Pursuant to this order, the Company hired a contractor to excavate certain contaminated sediments from the wetlands and move them to the landfill, which was then covered with a geomembrane cap. Substantially all remediation work was completed in the second quarter of 2003, and a final engineering report was submitted to DEC in the third quarter of 2003.

Through December 31, 2004, cumulative remediation costs paid were $5.1 million, including legal fees and other

expenses.

As of December 31, 2004, the liability for discontinued operations represents undiscounted future costs for remediation and monitoring obligations that may extend more than twenty years. The Company previously sold its Syracuse China division to a subsidiary of Libbey Glass, Inc. (Libbey). Libbey has agreed to reimburse the Company for 50% of the remediation and monitoring costs, up to a total contribution of $1.4 million. Reimbursement has been made subject to potential reduction for any recovery from Canadian Pacific (U.S.), Inc., the prior owner of Syracuse China. The Company is in litigation with Canadian Pacific to recover costs associated with the landfill.

10.Subsequent Event

On July 11, 2005, Pfaltzgraff sold assets constituting its wholesale and retail business and its intangible assets, including rights to the Pfaltzgraff name, to Lifetime Brands, Inc. ("Lifetime") for $32.5 million cash. The Company repaid all its long-term debt of $10.1 million using the sales proceeds. Under terms of the sales agreement, Pfaltzgraff may receive additional consideration through a working capital adjustment to be completed in mid-September 2005. Pfaltzgraff did not sell its manufacturing facilities, raw materials and work-in-process inventories or distribution real estate in the transaction. Under terms of a product supply agreement with Lifetime, Pfaltzgraff will manufacture certain inventory for Lifetime into October 2005. On August 15, 2005, Pfaltzgraff notified its manufacturing employees of its intention to terminate manufacturing operations. The Pfaltzgraff Co. has changed its name to TPC-York, Inc.

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THE PFALTZGRAFF CO. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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THE PFALTZGRAFF CO. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2005	December 31, 2004
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,159	$ 716
Accounts receivable, less allowance for doubtful accounts and sales returns of $1,034 in 2005 and $2,239 in 2004	2,257	4,634
Inventories	30,171	25,956
Other current assets	2,403	2,526
Total Current Assets	35,990	33,832
Property, Plant and Equipment, at cost		
Land	1,817	1,817
Buildings and improvements	23,632	23,798
Machinery and equipment	70,744	74,173
Construction-in-progress	572	495
	96,765	100,283
Accumulated depreciation and amortization	78,621	80,590
Property, Plant and Equipment, net	18,144	19,693
Income Taxes Receivable From Parent	30,496	25,299
Prepaid Pension Costs	10,799	10,531
Other Assets	-	121
	$ 95,429	$ 89,476
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$ 1,947	$ 3,150
Current portion of long-term debt	10,282	-
Accrued salaries and benefits	2,926	1,403
Accrued advertising	966	1,994
Accrued restructuring and closing costs	667	565
Accrued interest	45	38
Deferred income taxes	2,875	1,613
Other accrued expenses	2,214	2,113
Total Current Liabilities	21,922	10,876
Long-term Debt	-	9,139
Liability for Discontinued Operations	953	1,043
Deferred Income Taxes	1,497	1,777
Stockholder's Equity		
Preferred stock - 7% Non-cumulative, $1,000 par value, 20,000 shares authorized, issued and outstanding	20,000	20,000
Common stock - Class "A" Voting, $1 par value, 31,200,000 shares authorized, issued and outstanding	31,200	31,200
Additional paid-in capital	99,657	87,057
Accumulated deficit	(79,800)	(71,616)
Total Stockholder's Equity	71,057	66,641

	$ 95,429	$ 89,476

The accompanying notes are an integral part of the condensed consolidated financial statements.

THE PFALTZGRAFF CO. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	For The Six Months Ended June 30,	
	2005	2004
REVENUES	$ 49,206	$ 65,368
COSTS AND EXPENSES		
Cost of sales	33,934	44,871
Selling	13,326	13,995
General and administrative	13,388	14,315
Interest	452	310
Restructuring and closing costs	850	1,450
Other	(489)	179
Total	61,461	75,120
LOSS BEFORE INCOME TAXES	(12,255)	(9,752)
BENEFIT FOR INCOME TAXES	4,071	3,391
NET LOSS AND COMPREHENSIVE LOSS	$ (8,184)	$(6,361)

The accompanying notes are an integral part of the condensed consolidated financial statements.

THE PFALTZGRAFF CO. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For The Six Months Ended June 30,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (8,184)	$ (6,361)
Adjustments to reconcile net loss to net cash:		
Depreciation and amortization	1,949	2,383
Deferred income taxes	999	1,203
Deferred financing amortization	116	47
Changes in assets and liabilities:		

Decrease in accounts receivable, net	2,378	2,488
Decrease (increase) in inventories	(4,215)	3,126
Increase in income taxes receivable from parent	(5,214)	(2,627)
Decrease (increase) in other current assets	122	(636)
Increase in prepaid pension costs	(268)	(410)
Decrease in accounts payable	(1,204)	(799)
Increase (decrease) in accrued interest	7	(19)
Increase in accrued restructuring and closing costs	285	24
Increase in accrued salaries and benefits	1,525	569
Decrease in accrued advertising	(1,028)	(277)
Increase in other accrued expenses	100	818
Net cash used by operating activities	(12,632)	(471)
CASH USED IN DISCONTINUED OPERATIONS	(90)	(175)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment, net	(583)	(651)
Decrease (increase) in other assets	5	(96)
Net cash used by investing activities	(578)	(747)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution by Parent	12,600	-
Decrease in cash overdrafts	-	(123)
Proceeds from borrowing	1,143	1,898
Net cash provided by financing activities	13,743	1,775
NET INCREASE IN CASH AND CASH EQUIVALENTS	443	382
CASH AND CASH EQUIVALENTS, beginning	716	-
CASH AND CASH EQUIVALENTS, ending	$ 1,159	$ 382

The accompanying notes are an integral part of the condensed consolidated financial statements

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THE PFALTZGRAFF CO. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.Basis of Presentation

Pursuant to the rules and regulations of the Securities and Exchange Commission, the condensed consolidated interim financial statements included herein have been prepared, without audit, by The Pfaltzgraff Co. (the "Company" or "Pfaltzgraff"). The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of

America ("GAAP") for interim financial information and with the instructions in Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted; however, Pfaltzgraff believes that the disclosures are adequate to make the information presented not misleading. The condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and the notes thereto included in this Form 8-K for the year ended December 31, 2004.

The condensed consolidated financial statements (the "financial statements") include the accounts of Pfaltzgraff and all its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, the accompanying condensed consolidated interim financial statements contain all material adjustments (consisting only of normal recurring adjustments) necessary to present fairly Pfaltzgraff's consolidated financial position as of June 30, 2005, its results of operations for the six months ended June 30, 2005 and 2004, and its cash flows for the six months ended June 30, 2005 and 2004.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Interim results are not necessarily indicative of results for the full year or future periods.

2. Recent Developments

Sale of Assets

On July 11, 2005, Pfaltzgraff sold assets constituting its wholesale and retail business and its intangible assets, including rights to the Pfaltzgraff name, to Lifetime Brands, Inc. ("Lifetime") for $32.5 million cash. The Company repaid all its long-term debt of $10.1 million using the sales proceeds. Under terms of the sales agreement, Pfaltzgraff may receive additional consideration through a working capital adjustment to be completed in mid-September 2005. Pfaltzgraff did not sell its manufacturing facilities, raw materials and work-in-process inventories or distribution real estate in the transaction. Under terms of a product supply agreement with Lifetime, Pfaltzgraff will manufacture certain inventory for Lifetime into October 2005. On August 15, 2005, Pfaltzgraff notified its manufacturing employees of its intention to terminate manufacturing operations. The Pfaltzgraff Co. has changed its name to TPC-York, Inc.

Inventories

Inventories were comprised of (in thousands):

	June 30, 2005	December 31, 2004
Finished goods	$22,192	$17,645
Work-in-process	6,408	6,540
Raw materials	1,571	1,771
	$30,171	$25,956

LIFO increments are costed using the link-chain method. External indices are used to determine the effect of price changes for manufactured and sourced item pools.

If all inventories were valued at the lower of FIFO cost or market, inventory values at June 30, 2005, and December 31, 2004 would have been $37.8 million and, $32.0 million, respectively. Using the FIFO method would have increased the loss from continuing operations by $0.6 million in both 2005 and 2004.

Retail and other inventories, valued at the lower of FIFO cost or market, were $10.4 million and $9.0 million at June 30, 2005 and December 31, 2004, respectively

Restructuring and Closing

The Company completed the closing of its Nogales, Mexico facility in March 2004. Certain other manufacturing operations were curtailed in 2004 and 2005. The number of employees terminated in the restructurings was 14 in 2005 and 48 in 2004.

A summary of restructuring and closing activities follows (in thousands):

	Contract Termination	Consolidation /Removal	Severance	Total
Balance as of January 1, 2004	$ 403	$ 257	$ 472	$ 1,132
Charges	-	750	700	1,450
Payments/Uses	(51)	(1,007)	(608)	(1,666)
Balance as of June 30, 2004	$ 352	$ -	$ 564	$ 916
Balance as of January 1, 2005	$ 134	$ 233	$ 198	$ 565
Charges	-	676	174	850

Payments/Uses	(134)	(271)	(343)	(748)
Balance as of June 30, 2005	$ -	$ 638	$ 29	$ 667

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Capital Contributions

During the six months ended June 30, 2005, the Company's parent, Susquehanna Pfaltzgraff Co., made capital contributions totaling $12.6 million to Pfaltzgraff.

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Exhibit 99.2

LIFETIME BRANDS, INC. UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On July 11, 2005, Lifetime Brands, Inc. ("Lifetime" or the "Company") completed the acquisition of the business and certain assets and liabilities of The Pfaltzgraff Co. ("Pfaltzgraff ") pursuant to and upon the terms and conditions of an Asset Purchase Agreement dated as of June 17, 2005. Pfaltzgraff designs, markets, distributes and sells ceramic dinnerware and tabletop accessories for the home. Its products are distributed through company-owned factory stores and retail chains as well as through Internet and catalog operations. The amount paid at closing, subject to post closing adjustments, was approximately $33.1 million.

To finance the acquisition, on July 11, 2005 Lifetime amended its $50 million secured credit facility (the "Credit Facility") to increase the size of the facility to $100 million and to extend its maturity to July 2010. Borrowings under the Credit Facility are secured by all of the assets of the Company. Under the terms of the Credit Facility, Lifetime is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; a maximum leverage ratio and maintenance of a minimum net worth. Borrowings under the Credit Facility have different interest rate options that are based on an alternate base rate, the LIBOR rate and the lender's cost of funds rate, plus in each case a margin based on a leverage ratio.

The acquisition of Pfaltzgraff by Lifetime was initially reported on a Current Report on Form 8-K filed on July 15, 2005, which report is hereby being amended by the filing of this Form 8-K/A to include the financial statements required by Item 9.01 of Form 8-K. The following unaudited pro forma condensed combined financial information has been prepared to give effect to the acquisition by Lifetime of the business and certain assets and liabilities of Pfaltzgraff using the purchase method of accounting.

The transaction was accounted by Lifetime under the purchase method of accounting in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations. Under the purchase method of accounting, the total purchase price is allocated among the net tangible and identifiable intangible assets acquired by Lifetime in connection with the transaction, based on their fair values as of the completion of the transaction. The unaudited pro forma condensed combined financial information reflects the preliminary allocation of the purchase price to the assets acquired based on their estimated fair value on July 11, 2005. The preliminary purchase price allocation is subject to change based on the finalization of post closing adjustments to the purchase price and additional fair value adjustments, which may be significant.

The unaudited pro forma condensed combined financial information is presented in accordance with Article 11 of Regulation S- X. The unaudited pro forma condensed combined balance sheet of Lifetime gives effect to the transaction as if it occurred on June 30, 2005. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2005 and the year ended December 31, 2004 give effect to the transaction as if it had occurred on January 1, 2004.

The pro forma adjustments are based upon information and assumptions available at the time of the filing of this Form 8-K/A. The unaudited pro forma condensed combined financial information does not reflect any synergies that may be achieved from the combination of the entities by i) lowering the cost of products sold by sourcing all production overseas, ii) closing unprofitable Pfaltzgraff factory stores, iii) consolidating the Pfaltzgraff factory store operations with Lifetime's existing Farberware outlet store operations and iv) eliminating redundant staffing, operations and executive management. Lifetime cannot assure that management will be successful in its efforts to integrate the operations of the companies.

The pro forma information is presented for illustrative purposes only and is not intended to be indicative of the operating results that actually would have occurred if the transaction had been consummated on January 1, 2004 nor is the data intended to be indicative of future operating results. The unaudited pro forma condensed financial information of Lifetime and Pfaltzgraff and the accompanying notes thereto should be read in conjunction with the historical financial statements and notes thereto of Lifetime and Pfaltzgraff. Lifetime's historical financial statements are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005. Pfaltzgraff's historical financial statements and related notes thereto are attached as Exhibit 99.1 to this Form 8-K/A.

Lifetime Brands, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet as June 30, 2005

(In Thousands)	Lifetime	Pfaltzgraff	Pro Forma Adjustments		Lifetime Pro Forma
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 105	$ 1,159	$ (1,107)	(a)	$ 157
Accounts receivable, net	24,437	2,257			26,694
Merchandise inventories	67,517	30,171	(696)	(a)	100,109
			3,117	(b)	
Prepaid expenses	1,809				1,809
Deferred income taxes	4,705				4,705
Other current assets	3,389	2,403	(268)	(a)	5,524
TOTAL CURRENT ASSETS	101,962	35,990	1,046		138,998
PROPERTY AND EQUIPMENT, net	21,149	18,144	(10,186)	(a)	24,701
			(4,406)	(c)	
GOODWILL	16,200				16,200
OTHER INTANGIBLES, net	15,043				15,043
OTHER ASSETS	2,476	41,295	(41,295)	(a)	2,476
TOTAL ASSETS	$156,830	$ 95,429	$(54,841)		$197,418
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short-term borrowings	$ 21,300	$ 10,282	$ 33,113	(d)	$ 59,056
			4,643	(e)	
			(10,282)	(a)	
Accounts payable	10,481	1,947	(1,434)	(a)	10,994
Accrued expenses	15,646	9,693	(4,999)	(a)	17,965
			(2,875)	(a)	
			500	(f)	
Income tax payable	3,678				3,678
TOTAL CURRENT LIABILITIES	51,105	21,922	18,666		91,693
DEFERRED RENT & OTHER LONG-TERM LIABILITIES	1,996	953	(953)	(a)	1,996
DEFERRED INCOME TAX LIABILITIES	4,602	1,497	(1,497)	(a)	4,602
LONG-TERM DEBT	5,000				5,000
STOCKHOLDERS' EQUITY	94,127	71,057	(71,057)	(g)	94,127
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$156,830	$ 95,429	$(54,841)		$197,418

See notes to unaudited pro forma condensed combined financial information.

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Lifetime Brands, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations for the Six Months Ended June 30, 2005

(In Thousands Except Per Share Amounts)	Lifetime	Pfaltzgraff	Pro Forma Adjustments		Lifetime Pro Forma
Net Sales	$ 89,272	$ 49,206	$		$138,478
Cost of Sales	51,859	28,674	(569)	(h)	79,964
Distribution Expenses	11,923	5,260	464	(i)	17,647
Selling, General and Administrative Expenses	21,239	26,714	142	(i)	48,095
Interest		452	(452)	(j)	
Restructuring and Closing Costs		850			850
Other		(489)			(489)
Income (Loss) from Operations	4,251	(12,255)	415		(7,589)
Interest Expense	490		957	(j)	1,447
Other Income, net	(26)				(26)
Income (Loss) Before Income Taxes	3,787	(12,255)	(542)		(9,010)
Income Tax Provision (Benefit)	1,439	(4,071)	(792)	(k)	(3,424)
NET INCOME (LOSS)	$ 2,348	$(8,184)	$ 250		$ (5,586)
BASIC INCOME (LOSS) PER COMMON SHARE	$ 0.21				$(0.51)
DILUTED INCOME (LOSS) PER COMMON SHARE	$ 0.21				$ (0.51)
WEIGHTED AVERAGE SHARES - BASIC	11,057				11,057
WEIGHTED AVERAGE SHARES AND COMMON SHARE EQUIVALENTS - DILUTED	11,277				11,057

See notes to unaudited pro forma condensed combined financial information.

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Lifetime Brands, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2004

(In Thousands Except Per Share Amounts)	Lifetime	Pfaltzgraff	Pro Forma Adjustments		Lifetime Pro Forma
Net Sales	$189,458	$ 148,021	$		$337,479
Cost of Sales	111,497	90,598	(1,122)	(h)	200,973
Distribution Expenses	22,830	12,174	940	(i)	35,944
Selling, General and					

Administrative Expenses	40,282	58,730	287	(i)	99,299
Interest		702	(702)	(j)	
Restructuring and Closing Costs		3,431			3,431
Other		532			532
Income (Loss) from Operations	14,849	(18,146)	597		(2,700)
Interest Expense	835		1,914	(j)	2,749
Other Income, Net	(60)				(60)
Income (Loss) Before Income Taxes	14,074	(18,146)	(1,317)		(5,389)
Income Tax Provision (Benefit)	5,602	(5,730)	(2,016)	(k)	(2,144)
NET INCOME (LOSS)	$ 8,472	$ (12,416)	$ 699		$ (3,245)
BASIC INCOME (LOSS) PER COMMON SHARE	$ 0.77				$ (0.30)
DILUTED INCOME (LOSS) PER COMMON SHARE	$ 0.75				$ (0.30)
WEIGHTED AVERAGE SHARES - BASIC	10,982				10,982
WEIGHTED AVERAGE SHARES AND COMMON SHARE EQUIVALENTS - DILUTED	11,226				10,982

See notes to unaudited pro forma condensed combined financial information.

LIFETIME BRANDS, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1.Basis of Presentation

On July 11, 2005, Lifetime Brands, Inc. ("Lifetime" or the "Company") completed the acquisition of the business and certain assets and liabilities of The Pfaltzgraff Co. ("Pfaltzgraff ") pursuant to and upon the terms and conditions of an Asset Purchase Agreement dated as of June 17, 2005. Pfaltzgraff designs, markets, distributes and sells ceramic dinnerware and tabletop accessories for the home. Its products are distributed through company-owned factory stores and retail chains as well as through Internet and catalog operations. The amount paid at closing, subject to post closing adjustments, was approximately $33.1 million.

To finance the acquisition, on July 11, 2005 Lifetime amended its $50 million secured credit facility (the "Credit Facility") to increase the size of the facility to $100 million and to extend its maturity to July 2010. Borrowings under the Credit Facility are secured by all of the assets of the Company. Under the terms of the

Credit Facility, Lifetime is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; a maximum leverage ratio and maintenance of a minimum net worth. Borrowings under the Credit Facility have different interest rate options that are based on an alternate base rate, the LIBOR rate and the lender's cost of funds rate, plus in each case a margin based on a leverage ratio.

The accompanying unaudited pro forma condensed combined financial information presents the pro forma results of operations and financial position of Lifetime and Pfaltzgraff on a combined basis based on the historical financial information of each company and after giving effect to the acquisition of the business and certain assets and liabilities of Pfaltzgraff by Lifetime on July 11, 2005. The acquisition was recorded using the purchase method of accounting.

Certain reclassifications have been made to the historical financial statements of Pfaltzgraff to conform to the presentation used in Lifetime's historical financial statements. Such reclassifications had no effect on Pfaltzgraff's previously reported results from operations.

The unaudited pro forma condensed combined balance sheet has been prepared assuming the acquisition occurred on June 30, 2005. The unaudited pro forma condensed combined statements of operations have been prepared assuming the acquisition occurred on January 1, 2004.

2. Pro Forma Adjustments

The following are brief descriptions of each of the pro forma adjustments included in the unaudited pro forma condensed combined financial statements:

(a) To record the elimination of assets and liabilities of Pfaltzgraff not being acquired by Lifetime:

Cash	$1,107
Manufacturing inventories	696
Other current assets	268
Property, plant and equipment	10,186
Other assets	41,295
Short-term borrowings	(10,282)
Accounts payable	(1,434)
Accrued expenses	(4,999)
Current deferred income tax liability	(2,875)
Other long-term liabilities	(953)
Noncurrent deferred income tax liabi	(1,497)

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(b) To record adjustments to inventory:

To eliminate Pfaltzgraff's LIFO inventory adjustment to conform with Lifetime's inventory accounting policy which is based on FIFO	$4,285

To eliminate unabsorbed overhead capitalized in inventory of the manufacturing operations not acquired by Lifetime.	(1,168)
	$3,117

(c) Lifetime has preliminarily allocated the purchase price in accordance with SFAS No. 141. The sum of the amounts of the assets acquired and liabilities assumed preliminarily exceeds purchase price by approximately $4,406. The excess has been preliminarily allocated as a reduction of the fair value of property and equipment acquired. The preliminary purchase price allocation is subject to change based on the finalization of post closing adjustments to the purchase price and additional fair value adjustments, which may be significant.

Purchase price:	
Cash paid at closing	$ 33,113 (1)
Estimated professional and other transaction fees	500
Estimated additional purchase price based on preliminary post closing adjustments	4,643
Total purchase price	$ 38,256
Allocation of purchase price:	
Cash	$ 52
Accounts receivable	2,342
Merchandise inventories	32,592
Other current assets	2,050
Property and equipment	7,958
Accounts payable	(513)
Accrued expenses	(1,819)
Reduction of fair value of property and equipment acquired	(4,406)
Purchase price allocated	$ 38,256

(1) Included in the cash paid by Lifetime at closing was $561 for rents that were prepaid by Pfaltzgraff and $52 for retail store funds.

(d) To record debt used to finance the cash paid at closing (see Note (c)).

(e) To record the estimated additional purchase price (see Note (c)).

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(f) To record an accrual for estimated professional and

other transaction fees associated with the Pfaltzgraff acquisition (see Note (c)).

(g) To record the elimination of Pfaltzgraff's historical equity.

(h) To eliminate the net change in Pfaltzgraff's LIFO inventory reserve from cost of sales to conform with Lifetime's inventory accounting policy which is based on FIFO.

(i) To record adjustments to Distribution Expenses and Selling, General and Administrative Expenses related to the leases of the distribution center and office space entered into by Lifetime as part of the acquisition of the Pfaltzgraff:

Distribution Expenses	Six months ended June 30, 2005	Year ended December 31, 2004
To record rent expense for the lease of the Pfaltzgraff distribution center.	$ 828	$ 1,655
To eliminate rent expense recorded by Pfaltzgraff related to the distribution center.	(272)	(545)
To eliminate depreciation expense recorded by Pfaltzgraff related to the distribution center.	(92)	(170)
	$ 464	$ 940
Selling General and Administrative Expenses To record rent expense for the lease of the Pfaltzgraff offices.	$ 178	$ 355
To eliminate depreciation expense recorded by Pfaltzgraff related to the offices.	(36)	(68)
	$ 142	$ 287

(j) To record adjustments to interest expense:

	Six months ended	Year ended

	June 30, 2005	December 31, 2004
To record interest expense on the total estimated increased borrowings at an interest rate of 5.07%	$ 957	$ 1,914
To eliminate interest expense recorded by Pfaltzgraff	(452)	(702)

(k) To record adjustments to income taxes:

	Six months ended June 30, 2005	Year ended December 31, 2004
To record the tax benefit of Pfaltzgraff's loss at Lifetime's marginal rate of 38.0% for the six months ended June 30, 2005 and 39.8% for the year ended December 31, 2004	$ (4,657)	$ (7,222)
To record the tax benefit of the pro forma adjustments at Lifetime's marginal rate of 38.0% for the six months ended June 30, 2005 and 39.8% for the year ended December 31, 2004	(206)	(524)
To eliminate the tax benefit recorded by Pfaltzgraff	4,071	5,730
	$ (792)	$ (2,016)

3. Pro Forma Net Loss Per Share

The unaudited pro forma combined basic net loss per share is based upon the weighted average number of outstanding shares of common stock of Lifetime during the periods presented. The unaudited pro forma combined diluted net loss per share is the same as the unaudited pro forma combined basic net loss per share as all common stock equivalents are anti-dilutive due to the loss position.