FirsTime Design Ltd.®

AMERICAN DESIGNED






2020 ANNUAL REPORT

REVIEWED

FIRSTIME DESIGN LIMITED AND SUBSIDIARIES

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Forward-Looking Statements

In this report and in the Letter to our Shareholders, we make statements concerning expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements". Although we believe that these forward-looking statements and the underlying assumptions are reasonable, we cannot provide assurance that they will prove correct. Except to the extent required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition to statements regarding trends or estimates included in Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Letter to our Shareholders, forward-looking statements include statements incorporated into this report, but are not limited to such statements, regarding future:

- Revenues or expenses, and
- Financing sources and strategic alternatives.

Forward-looking statements involve a number of risks and uncertainties. There are many factors that could cause actual results to differ materially from those expressed or implied in this report and the Letter to our Shareholders. Some risks and uncertainties that could cause results different from any forward-looking statement include those described under Risk Factors in this Reviewed Annual Report for the year ended December 31, 2020. Other factors include, but are not limited to:

- The ability of FirsTime Design Limited and its subsidiaries (Company) to provide the necessary cash to meet operating and working capital requirements;
- Declining demand for the Company's products;
- Legislative/regulatory changes;
- Changes in trade laws and tariffs;
- The degree of success of the strategy to reduce expenses and to increase revenue;
- Competition;
- General economic conditions;
- Monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board;
- Changes in financial markets (such as interest rate, credit, currency, commodities and equities markets);
- Potential changes in accounting policies by the Financial Accounting Standards Board or regulatory agencies, which may cause us to revise our financial accounting and/or disclosures in the future; and
- The necessity to make additions to the Company's allowance for obsolete inventory or allowance for uncollectible accounts.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

Risk Factors

In addition to the other information set forth or incorporated by reference in this Reviewed Annual Report, the risk factors described below should be carefully considered. If any of the risk factors actually occur, the Company's financial condition or results of operations could be materially adversely affected. The following list of risk factors may not be exhaustive. Additional risks and uncertainties not presently known or that are currently believed to be immaterial may also adversely affect the Company.

The effects of economic cycles, terrorism, acts of war and other related conditions may adversely affect our business.

Our business is subject to economic cycles and industry conditions. Purchases of discretionary products, such as our products, tend to decline during recessionary periods when disposable income is low and consumers are hesitant to use available funds. In addition, acts of terrorism, acts of war and military action both in the U.S. and abroad can have a significant effect on economic conditions and may negatively affect our ability to procure our products from manufacturers for sale to our customers. Any significant declines in general economic conditions, public safety concerns or uncertainties regarding future economic prospects that affect consumer spending habits could have a material adverse effect on consumer purchases of our products.

We may be adversely affected by any disruption in, or breach of, our information technology systems.

Our operations are dependent to a significant degree upon our information technology systems. A substantial disruption in our information technology systems for a prolonged time period, or a significant breach of our information security, could result in delays in receiving inventory and supplies or filling customer orders, and/or the release of otherwise confidential information, adversely affecting our customer service and relationships as well as our reputation, and could lead to significant remediation expenses and litigation risks. Our systems, and the systems of our service providers or others, could be breached, damaged or interrupted by cyber-attacks or other man-made intentional or unintentional events, or by natural disasters or occurrences, many of which may, despite our best efforts, be beyond our ability to effectively detect, anticipate or control. Any such events and the related delays, problems or costs could have a material adverse effect on our business, financial condition, results of operations and reputation.

Our success depends upon our ability to continue to develop innovative products.

Our success also depends upon our ability to continue to develop innovative products in the markets in which we compete. If we are unable to successfully introduce new products, or if our competitors introduce superior products, customers may purchase increasing amounts of products from our competitors, which could adversely affect our sales and results of operations.

Our ability to grow our sales is dependent upon the implementation of our growth strategy, which we may not be able to achieve.

Our ability to continue to grow is dependent on the successful implementation of our business strategy. If we are not successful in effecting our business plan, our results of operations could be negatively impacted.

Our business could be harmed if we fail to maintain proper inventory levels.

We may be unable to sell the products we have ordered in advance from manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs or the sale of excess inventory at prices below our standard levels. These events could significantly harm our operating results. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply quality products in a timely manner, we may experience inventory shortages, which might result in unfilled orders, negatively impact customer relationships and result in lost revenues, any of which could harm our business.

Changes within the retail industry conditions could adversely affect our business.

Our business is subject to retail industry conditions. The retail industry landscape is changing as large retailers continue to adapt, merge, and adjust. Competition from specialty stores and by online retailers is increasing, with the rise in e-commerce. These changes could adversely affect our sales and results of operations.

Changes within the trucking industry conditions could adversely affect our business.

Our business is subject to trucking industry conditions. The trucking industry landscape is changing and evolving. These changes could adversely affect our sales and results of operations.

We rely on third-party assembly factories and manufacturers and problems with, or loss of, our assembly factories or manufacturing sources could harm our business and results of operations.

We face the risk that these independent assembly factories or manufacturers may not produce and deliver our products on a timely basis, or at all. As a result, we cannot be certain that these assembly factories or manufacturers will continue to assemble or manufacture products for us or that we will not experience operational difficulties with our manufacturers, such as reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines or increases in manufacturing costs. Our future success will depend upon our ability to maintain close relationships with our current assembly factories and manufacturers and to develop long-term relationships with other manufacturers that satisfy our requirements for price, quality and production flexibility. Our ability to establish new manufacturing relationships involves numerous uncertainties, including those relating to payment terms, costs of manufacturing, adequacy of manufacturing capacity, quality control and timeliness of delivery. Any failure by us to maintain long-term relationships with our current assembly factories and manufacturers or to develop relationships with other manufacturers could have a material adverse effect on our ability to manufacture and distribute our products.

Outsourcing to foreign/overseas manufacturers of the manufacturing of the products sold by the Company could adversely affect inventory levels and reduce profits.

A large portion of the products sold by the Company are manufactured in China, with some in Egypt, India, Italy, Taiwan, the United States, and Vietnam. The amount of product to be purchased from international manufacturers must be ordered several months in advance to allow for manufacturing and shipping time and must be paid for prior to delivery. If the amount of product ordered exceeds future sales, inventories will increase which will reduce profits and/or increase losses. On the other hand, if sales were to exceed the amount of product ordered, then inventory would be insufficient to meet customer demand.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(US Dollars in thousands except per share data)

The following is a discussion and analysis of the Company's financial condition and results of operations including information on the Company's critical accounting policies and liquidity. Information contained in this Management's Discussion and Analysis should be read in conjunction with the disclosure regarding Forward-Looking Statements, as well as the discussion set forth in Risk Factors and the Financial Statements. FirsTime Design Limited (Parent) has two wholly-owned subsidiaries, Lee Middleton Original Dolls, Inc. (LMOD) and, effective June 16, 2017, InnerSpace Luxury Products, LLC (InnerSpace). In turn, LMOD has a wholly-owned subsidiary, FirsTime Manufactory, Inc. (FirsTime).

Overview

FirsTime is located in Pewaukee, Wisconsin and designs, imports, and distributes decorative timepieces and other home décor products through major, national retailers and direct to consumers. InnerSpace is located in Dalton, Georgia. The organization distributes commercial mattresses and bedding accessories.

The following table summarizes the Company's financial condition and results of operations as of and for the last five years ended December 31:

	2016	2017	2018	2019	2020
Income Statement Data					
Net Sales	$ 7,274	$ 10,920	$ 14,213	$ 13,746	$ 21,927
Net Income	$ 450	$ 131	$ (132)	$ 778	$ 4,751
Net Income as % of Sales	6.2%	1.2%	-0.9%	5.7%	21.7%
Balance Sheet Data					
Net Cash (Net Debt) Balance	$ 3,832	$ 1,915	$ (2,431)	$ (1,886)	$ (4,650)
Working Capital	$ 5,730	$ 6,266	$ 3,303	$ 3,735	$ 9,418
Shareholders' Equity	$ 6,204	$ 8,455	$ 3,554	$ 4,332	$ 9,083
Per Share Data					
Earnings per Share	$ 0.30	$ 0.08	$ (0.09)	$ 0.67	$ 4.11
Book Value per Share	$ 4.12	$ 5.00	$ 2.48	$ 3.75	$ 7.87
Net Cash (Net Debt) per Share	$ 2.54	$ 1.13	$ (2.11)	$ (1.63)	$ (4.03)
Dividend per Share	$ 0.15	$ -	$ -	$ -	$ -
Other Data					
Return on Average Equity	7.4%	1.8%	-2.2%	19.7%	70.8%

Amounts presented as of, and for the years ended December 31, 2016 through 2020 include the consolidation of the Parent, LMOD, FirsTime, and effective June 16, 2017, InnerSpace. All significant intercompany accounts and transactions have been eliminated in the unaudited consolidated financial statements.

FirsTime has experienced success at expanding its customer base and continues to introduce new and updated styles of home décor items that have resulted in increased sales to many new and existing customers. In 2020, FirsTime maintained a lean operating structure as well as generating increased sales, resulting in a meaningful increase in its operating income generation.

The Company imports finished goods from international and domestic manufacturers and relies on those suppliers to procure sufficient raw materials to be used in production. FirsTime and InnerSpace have not experienced any significant problems due to the lack of, or availability of, materials or products.

Critical Accounting Policies

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following areas require management to make estimates that are susceptible to significant change in the near term.

Inventory and allowance for obsolete and excess inventory. Inventories are valued at the lower of cost, determined by the average cost method, and net realizable value. FirsTime and InnerSpace provide an allowance for obsolete inventory items based on management's estimate. Management reviews all excess quantities, slow-moving or obsolete inventory items in order to determine the appropriate allowance for obsolete inventory. The inventory allowance reflects the estimated markdown necessary to liquidate the slow-moving inventory items.

Deferred income tax assets and liabilities. Amounts provided for income tax expense are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. As changes in tax laws or rates are enacted, deferred income tax assets and liabilities are adjusted through the provision for income taxes. The differences relate principally to different methods used for depreciation for income tax purposes, deferred revenue, legacy net operating losses, capitalization requirements of the Internal Revenue Code, allowances for doubtful accounts and obsolete inventory, and other carryforwards. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Results of Operations for the years ended December 31, 2020 and December 31, 2019

Net sales increased by approximately 59.5% to $21,927 for the year ended December 31, 2020 compared to $13,746 for the year ended December 31, 2019. The net sales increase was due to a significant increase in drop ship sales as consumer traffic shifted to online sales due to the Coronavirus pandemic. Cost of goods sold increased approximately 53.8%, with total gross profit margin of approximately 34.7% for the year ended December 31, 2020, compared to 32.3% for the same period in the prior year.

Total operating expenses for the year ended December 31, 2020, were approximately $5,119 compared to approximately $3,735 for the year ended December 31, 2019, an increase of approximately $1,384. Sales and marketing expenses increased by $40 from the prior year due to an increase in personnel. New product development expenses increased by $69 from the prior year due to the realization of the Company's long-term strategy to continually improve product selection and mix. Warehouse expenses increased by $538 from the prior year related to the integration of operations with our third-party logistics providers.

General and administrative expenses increased by approximately $738 primarily due to an increase in personnel.

The Company's total net income applicable to common stock shareholders for the year ended December 31, 2020 was $4,751 or $4.11 per common share, as compared to a net income of $778, or $0.67 per common share, for the year ended December 31, 2019. Net income increased due to an increase in net sales and subsequent profitability which led to an operating profit of $2,602, as well as a benefit from income taxes of $2,149 due to a change in the Company's deferred tax asset given the increased profitability of the operating business.

Liquidity and Capital Resources

As of December 31, 2020, the Company had a $6,000 revolving credit agreement and a $1,500 bank term note with Town Bank (See Note 7 and 8) accessible to meet the capital needs of the Company and its operating subsidiaries.

Consolidated Balance Sheets at December 31, 2020 and 2019

Accounts receivable increased to approximately $5,484 at December 31, 2020, from approximately $2,592 at December 31, 2019.

Inventory and prepaid inventory, net of the allowance for obsolete and excess inventory of approximately $273 and $134 at December 31, 2020 and 2019 respectively, increased to approximately $7,314 at December 31, 2020, from approximately $2,655 at December 31, 2019. Inventories are valued using the lower of cost, determined by the average cost method, or market.

Property and equipment, net of accumulated depreciation, totaled $63 at December 31, 2020, as compared to $78 at December 31, 2019. Property and equipment expenditures were approximately $28, with depreciation expense of approximately $43.

Deferred tax assets, net, was $2,798 as of December 31, 2020, compared to $634 at December 31, 2019. The deferred tax assets represent a portion of the valuation allowance the Company keeps on its legacy net operating loss carryforward, and the change in corporate tax rates.

Current liabilities were approximately $8,073 at December 31, 2020 as compared to approximately $2,754 at December 31, 2019, with the increase due primarily to the trade accounts payable and line of credit balance outstanding at year end.

FIRSTIME DESIGN LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

CLA (CliftonLarsonAllen LLP)
CLAconnect.com

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
FirsTime Design Limited and Subsidiaries
Pewaukee, Wisconsin

We have reviewed the accompanying consolidated financial statements of FirsTime Design Limited and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
May 12, 2021

FIRSTIME DESIGN LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019
(Dollars in Thousands Except Shares and Per Share Amounts)
See Independent Accountants' Review Report

ASSETS

	2020	2019
Current Assets		
Cash	$ 2	$ 7
Accounts receivable, net	5,484	2,592
Inventory, net	5,640	2,494
Prepaid inventory	1,674	161
Other prepaid expenses	114	138
Total Current Assets	12,914	5,392
Other Assets		
Property and equipment, net	63	78
Goodwill	668	668
Intangible assets, net	713	810
Deferred income tax asset	2,798	634
Total Other Assets	4,242	2,190
TOTAL ASSETS	$ 17,156	$ 7,582

LIABILITIES AND SHAREHOLDERS' EQUITY

	2020	2019
Current Liabilities		
Checks issued in excess of bank balance	506	93
Loan payable - Town Bank	75	300
Line of credit - Town Bank	4,577	1,097
Accounts payable	617	401
Accounts payable - inventory	1,156	123
Accrued liabilities	1,142	740
Total Current Liabilities	8,073	2,754
Other Liabilities		
Loan payable - Town Bank	-	496
Total Other Liabilities	-	496
Total Liabilities	$ 8,073	$ 3,250
Shareholders' Equity		
Common stock, $0.06667 par value, 15,000,000 shares authorized, 1,245,409 shares issued and 1,154,651 shares outstanding	83	83
Additional paid-in capital	20,732	20,732
Accumulated deficit	(4,913)	(9,664)
Treasury stock, 90,758 shares, at cost	(6,819)	(6,819)
Total shareholders' equity	9,083	4,332
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 17,156	$ 7,582

See accompanying notes to consolidated financial statements.

FIRSTIME DESIGN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2020 and 2019

(Dollars in Thousands Except Shares and Per Share Amounts)

See Independent Accountants' Review Report

	2020	2019
Net sales	$ 21,927	$ 13,746
Cost of goods sold	14,315	9,306
Gross profit	7,612	4,440
Operating expenses		
Sales and marketing	413	373
New product development	238	169
Warehouse	1,904	1,366
General and administrative	2,424	1,686
Depreciation and amortization	140	141
Total operating expenses	5,119	3,735
Operating income (loss)	2,493	705
Non-operating income (expense)		
Interest expense	(83)	(129)
Other expense, net	192	253
Total non-operating income (expense)	109	124
Income (loss) before provision (benefit) for income taxes	2,602	829
Provision (benefit) for income taxes	(2,149)	51
Net income	$ 4,751	$ 778
Earnings per share	$ 4.11	$ 0.67
Weighted average shares outstanding	1,154,651	1,154,651

See accompanying notes to consolidated financial statements.

FIRSTIME DESIGN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2020 and 2019

(Dollars in Thousands Except Per Share Amounts)

See Independent Accountants' Review Report

	Common Stock	Additional Paid-In Captial	Accumulated Deficit	Treasury Stock	Total
Balances - December 31, 2018	$ 83	$ 20,732	$ (10,442)	$ (6,819)	$ 3,554
Net income	-	-	778	-	778
Balances - December 31, 2019	$ 83	$ 20,732	$ (9,664)	$ (6,819)	$ 4,332
Net income	-	-	4,751	-	4,751
Balances - December 31, 2020	$ 83	$ 20,732	$ (4,913)	$ (6,819)	$ 9,083

See accompanying notes to consolidated financial statements.

FIRSTIME DESIGN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

(Dollars in Thousands)

See Independent Accountants' Review Report

	2020	2019
Cash flows from operating activities		
Net income	$ 4,751	$ 778
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	43	44
Amortization	97	98
Deferred income tax expense (benefit)	(2,164)	60
Paycheck Protection Program forgiveness	(196)	-
Loss on disposal of property and equipment		-
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,892)	(177)
Inventory, net including prepaid inventory	(4,659)	(101)
Other prepaid expenses	24	(38)
Accounts payable, including accounts payable - inventory	1,249	(297)
Accrued liabilities	815	189
Net cash provided by (used in) operating activities	(2,932)	556
Cash flows from investing activities		
Property and equipment expenditures	(28)	(11)
Net cash used in investing activities	(28)	(11)
Cash flows from financing activities		
Net proceeds from (payments on) line of credit	3,480	(46)
Proceeeds from Paycheck Protection Program loan	196	-
Payments of long-term debt	(721)	(492)
Net cash provided by (used in) financing activities	2,955	(538)
Net change in cash	(5)	7
Cash - beginning of the year	7	-
Cash - end of the year	$ 2	$ 7
Supplemental disclosure of cash flow information		
Cash payments for income taxes	$ -	$ 3

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business activity

FirsTime Design Limited and Subsidiaries (Company) is headquartered in Pewaukee, Wisconsin and designs, imports, and distributes decorative home décor products through major, national retailers. The Company also distributes commercial mattresses and bedding accessories in Dalton, Georgia.

B. Basis of presentation

The accompanying consolidated financial statements are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

C. Principles of consolidation

The accompanying consolidated financial statements of FirsTime Design Limited and Subsidiaries include the accounts of FirsTime Design Limited and its wholly-owned subsidiaries Lee Middleton Original Dolls, Inc. (LMOD) and InnerSpace Luxury Products, LLC (InnerSpace) and LMOD's wholly-owned subsidiary FirsTime Manufactory, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

D. Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Significant estimates include the collectability of accounts receivable and the related valuation allowance for uncollectible accounts, the reserve for obsolete and excess inventory and various accrued liabilities. It is at least reasonably possible that the actual results may differ from these estimates within the near term, and the resulting change could be material to the financial statements.

E. Cash

For purposes of the Consolidated Statements of Cash Flows, the Company considers all checking accounts, money market accounts and balances in interest bearing investments with a maturity of three months or less to be cash.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company extends unsecured trade credit to its customers in the ordinary course of business, but mitigates the associated credit risk by performing credit checks, establishing credit limits and actively pursuing past due accounts. Trade credit is generally extended on a short-term basis. Thus, trade accounts receivable do not bear interest or a finance charge.

The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts giving consideration to historical experience and existing economic conditions. Balances that are still outstanding after the Company has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are net of an allowance for doubtful accounts of $105 and $24 at December 31, 2020 and 2019, respectively.

G. Inventory

Inventory is comprised entirely of goods purchased for sale and is valued at the lower of cost, determined by the average cost method, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Inventories are net of an allowance for obsolete and excess inventory of $273 and $134 at December 31, 2020 and 2019, respectively.

H. Property and equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to operations as incurred while all major acquisitions and improvements are capitalized. Depreciation is calculated using the straight–line method of depreciation over the estimated useful lives of the assets. Leasehold improvements are depreciated over their estimated useful life or over the term of the lease, whichever is shorter. Estimated useful lives range from 3 years for computer software, 5 years for office equipment and computer equipment and 7 years for leasehold improvements, machinery and equipment and office furniture. Gains or losses on property and equipment sold or otherwise disposed of are credited or charged to the results of operations.

I. Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset grouping may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset grouping to future undiscounted cash flows expected to be generated by the asset grouping. If the carrying amount of an asset grouping exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset grouping exceeds the fair value of the asset grouping. There was no impairment of long-lived assets recognized in 2020 or 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

J. Goodwill

Goodwill represents the excess of the purchase price of the net assets acquired (including identified intangible assets) in a business combination over the fair value of the net assets at the date of acquisition. Goodwill is not amortized, but is subject to an assessment for impairment which must be performed at least annually, or more frequently if events or circumstances indicate that goodwill might be impaired. The Company performed the required annual assessment as of December 31, 2020 and 2019. Effective January 1, 2020, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2017-04, *Simplifying the Test for Goodwill Impairment* (ASU 2017-04), which replaced the two-step impairment test for goodwill with a one-step test that both identifies and measures goodwill impairment. Under ASU 2017-04, entities still have the option to assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is not necessary. However, if an entity concludes otherwise, then it is required to perform the quantitative goodwill impairment test, which identifies both the existence of impairment and the amount of impairment loss by comparing the fair value of the reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds the fair value, an impairment loss is recognized in an amount equal to that excess. The Company's qualitative evaluation of goodwill completed during 2020 and 2019 resulted in no impairment losses.

K. Intangible assets

Intangible assets consist of trade names and customer relationships, which are recorded at their fair value at the date of acquisition and are amortized on a straight-line basis over the estimated useful lives of the assets (5 to 20 years for trade names and 10 years for customer relationships). The Company assesses purchased intangible assets deemed to have finite lives for impairment in a manner consistent with its assessment of the impairment of long-lived assets. There was no impairment of intangible assets recognized in 2020 or 2019.

L. Revenue recognition

The company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers,* the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Revenue recognition continued

The Company enters into contracts (purchase orders) with its customers to provide the products, which are generally short-term contracts allowing for the satisfaction of all performance obligations in less than a month. A contract exists when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company's contracts with customers typically include a single performance obligation to transfer the products.

The pricing and payment terms for contracts are based on the Company's standard terms and conditions or the result of specific negotiations with each customer. Contracts do not contain a significant financing component as the Company's standard terms and conditions generally require payment 30 days from the invoice date. The Company generally does not offer extended payment terms.

Revenue is recognized when control of the products, including any shipping and handling fees billed to customers, has transferred to customers. For the Company's customer arrangements, control transfers to customers at a point in time when the products have been shipped by the Company as that is generally when legal title, physical possession, and the risks and rewards of products transfer to the customer.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the products. Accounts receivable are recorded when the right to consideration becomes unconditional. Amounts billed and due from the Company's customers are classified as accounts receivable, less allowance for doubtful accounts on the consolidated balance sheets. The transaction price includes estimates for reductions in revenue from rebates, customer credits, early payment discounts, and/or other forms of variable consideration. These amounts are estimated based upon the most likely amount of consideration to which the customer will be entitled. All estimates are based on historical experience, anticipated performance and the Company's best judgment at the time to the extent it is probable that a significant reversal of revenue recognized will not occur. All estimates for variable consideration are reassessed periodically. Variable consideration was $4,036 and $2,190 for the years ended December 31, 2020 and 2019, respectively. There is no provision for estimated returns as these are considered to be immaterial.

The Company pays sales commissions related to certain contracts, which qualify as incremental costs of obtaining a contract. However, the Company applies the practical expedient that allows an entity to recognize incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less. These costs are recorded within sales and marketing in the consolidated statements of operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Revenue recognition continued

The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer its products. As such, amounts billed to customers related to shipping and handling costs are included in net sales in the consolidated statements of income and shipping and handling costs incurred are included in cost of goods sold in the consolidated statements of income.

The Company has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors including the nature of the Company's relationship with the customer, the customer's industry, the customer's contractual terms and general economic factors.

For the years ended December 31, 2020 and 2019, the Company recognized all of its net sales from products that transfer to the customer at a point in time.

N. Vendor allowances

Vendor allowances are negotiated by the Company and are generally based on a percentage of orders placed for purchases with specific vendors. Vendor allowances for purchases by the Company are recognized upon the vendor's shipment of the goods and are recorded as a reduction of cost of goods sold.

O. Debt issuance costs

Debt issuance costs are amortized over the life of the loan as interest expense, using the straight-line method which approximates the effective interest method, and are presented as a reduction to the carrying amount of the debt.

P. Concentrations

The Company maintains its cash in bank deposits which at times may exceed federally insured limits. The Company has not experienced any losses with the bank accounts that are maintained. Management believes the Company is not exposed to any significant credit risk on cash.

The Company's customers are not concentrated in any specific geographic region. For each of the years ended December 31, 2020 and 2019, three and two customers, respectively, individually accounted for 10% or more of net sales, as can be common in the consumer products industry. The Company routinely assesses the financial strength of its customers and as a result believes that its trade accounts receivable credit risk exposure is extremely limited.

The Company imports a significant portion of finished goods inventory from suppliers in China who invoice the Company in U.S. dollars thus eliminating currency adjustments on transactions with the Company. The Company also has finished goods produced in the USA and imports a smaller portion of finished goods from suppliers in Italy, who invoice the Company in Euros. The currency adjustments related to these transactions are immaterial. As of December 31, 2020 and 2019, $1,156 and $123, respectively, were included in accounts payable due to these suppliers.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Q. Income taxes

The Company accounts for income taxes according to the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the years in which the temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amounts more likely than not to be realized. Current income taxes are based on the year's income taxable for federal and state income tax reporting purposes.

R. Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their balance sheet as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of income largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct financing leases. In November 2019, the FASB approved the delay of the effective date of ASU 2016-02 which is now effective for the company's year ending December 31, 2022. Management is currently evaluating the impact of ASU 2016-12 on the Company's financial statements.

S. Subsequent events

The Company has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through May 14, 2021, the date on which the financial statements were available to be issued.

(Dollars In Thousands Except Shares and Per Share Amounts)

NOTE 2 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31:

	2020	2019
Leasehold improvements	$ 48	$ 48
Machinery and equipment	5	5
Office equipment	3	3
Computer equipment	106	90
Office furniture	19	19
Computer software	112	100
Property and equipment, gross	$ 293	$ 265
Accumulated depreciation	$ (230)	$ (187)
Property and equipment, net	$ 63	$ 78

Depreciation expense for the years ended December 31, 2020 and 2019 was $43 and $44, respectively.

(Dollars In Thousands Except Shares and Per Share Amounts)

NOTE 3 – INTANGIBLE ASSETS, NET

The carrying amount and accumulated amortization of intangible assets consists of the following at December 31:

	2020		2019	
Gross carrying amount:				
InnerSpace trade name	$	95	$	95
Mobile InnerSpace trade name		357		357
Customer relationships		607		607
Total gross carrying amount	$	1,059	$	1,059
Accumulated amortization:				
InnerSpace trade name	$	63	$	46
Mobile InnerSpace trade name		68		49
Customer relationships		215		154
Total accumulated amortization	$	346	$	249
Intangible assets, net	$	713	$	810

Amortization expense for each of the years ended December 31, 2020 and 2019 was $97 and $98, respectively.

Estimated future amortization expense for intangible assets is as follows for the years ending December 31:

Years Ending December 31:	Amount
2021	98
2022	87
2023	78
2024	78
2025	78

(Dollars In Thousands Except Shares and Per Share Amounts)

NOTE 4 – LEASE COMMITMENTS

The Company leases its facilities under operating leases through July 2023. The Company is responsible for utilities and insurance. The Company recognizes rent expense on a straight-line basis over the term of the lease. Since the lease agreements contain rent holiday and escalation clauses, the Company has recorded an accrued rent liability as of December 31, 2020 and 2019 of $10 and $12, respectively, to recognize the accumulated difference between the lease payments and lease expense recorded on a straight-line basis. Total rent expense related to its facilities was $78 and $73 for the years ended December 31, 2020 and 2019, respectively.

Total future minimum lease payments related to its operating leases are as follows for the years ending December 31:

Years Ending December 31:	Amount
2021	67
2022	68
2023	41
Total	176

NOTE 5 - 401(K) RETIREMENT PLAN

The Company sponsors a 401(k) retirement plan which covers all eligible employees who meet certain age and service requirements. The Company matches 50% of the first 5% of an employee's elective contributions. The Company's 401(k) match charged to operations for the years ended December 31, 2020 and 2019 was $16 and $8, respectively.

NOTE 6 – CONTINGENCIES

From time to time, the Company is involved in various claims and lawsuits, both for and against the Company, arising in the normal course of business. When claims are probable, reserves are established based on estimates from available information. Although no reserves have been established as of December 21, 2020 and 2019, there is inherent uncertainty as to the eventual resolution of unsettled claims and lawsuits. Management believes that any uninsured financial responsibility that may be incurred in settlement of such claims and lawsuits would not have a material effect on the Company's financial condition, results of operations or cash flows.

(Dollars In Thousands Except Shares and Per Share Amounts)

NOTE 7 – REVOLVING CREDIT AGREEMENTS

The Company has an available $6,000 revolving credit agreement (Agreement) with a bank which expires September 30, 2022, of which $4,577 and $1,097 was outstanding at December 31, 2020 and 2019. Interest is payable monthly at LIBOR plus 2.50% (2.70% and 4.21% at December 31, 2020 and 2019, respectively). Borrowings are limited based on the balances of certain qualifying accounts and are secured by substantially all Company assets.

As part of the Agreement, the Company has an available standby letter of credit with the bank to be drawn upon as needed. Any amounts drawn under the standby letter of credit would reduce the amount available to the Company under the revolving credit agreement described above.

On April 16, 2021, the borrowing limit on the Agreement was increased to $13,000 and the Company entered into an interest rate swap transaction to hedge $5,000 of its variable rate debt. The derivative financial instrument (interest rate swap contract) is held only for the purpose of hedging risks related to variability of future earnings and cash flows caused by changes in interest rates, not for speculation.

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of the following at December 31:	2020	2019
Bank term note, payable in monthly principal installments of $25,000 plus interest at the LIBOR rate plus 3.00% (3.20% and 4.71% at December 31, 2020 and 2019, respectively) due May 22, 2023**, secured by all company assets.	$ 95	$ 825
Less unamortized debt issuance costs	(20)	(29)
Less current maturities of long-term debt	(75)	(300)
Long-term debt, less current maturities	$ -	$ 496

The Agreement described in Note 7 and Bank term note described above contain various financial and restrictive covenants and conditions that must be met on a regular basis. Management believes the Company was in compliance with these covenants and conditions as of and for the years ended December 31, 2020 and 2019.

**Due to additional principal payments made, the Bank term note is expected to be paid in full prior to its scheduled maturity date.

(Dollars In Thousands Except Shares and Per Share Amounts)

NOTE 9 – SHAREHOLDERS' EQUITY

The number of shares of $.06667 par value common stock of the Company is as follows at December 31, 2020 and 2019:

Authorized	15,000,000
Issued	1,245,409
Oustanding	1,154,651
Treasury	90,758

NOTE 10 – INCOME TAXES

The deferred income tax asset (liability) consists of the following at December 31:

	2020	2019
Deferred income tax asset (liability)		
Accounts receivable	$ 28	$ 7
Inventory	74	37
Accrued discounts	43	90
Accrued vacation pay/payroll	31	6
Loan reserve	-	25
Accrued professional fees	4	-
Accrued rent	3	3
Property and equipment	(5)	(18)
Intangible assets	(194)	(221)
Minimum tax credit carryforward	-	13
Net operating loss carryforward	2,814	3,476
	2,798	3,418
Less valuation allowance	-	(2,784)
Deferred income tax asset	$ 2,798	$ 634

(Dollars In Thousands Except Shares and Per Share Amounts)

NOTE 10 – INCOME TAXES, CONTINUED

The provision (benefit) for income taxes consists of the following for the years ended December 31:

	2020	2019
Current provision (benefit)	$ 15	$ (9)
Deferred provision (benefit)	620	222
	635	213
Adjustment of deferred taxes for enacted changes in tax laws or rates		
Change in valuation allowance	(2,784)	(162)
Provision (benefit) for income taxes	$ (2,149)	$ 51

The provision (benefit) for income taxes differs from the expected provision (benefit) that would result from the application of U.S. Federal tax rates to pre-tax book income. The primary reason for the differences for the year ended December 31, 2020 is the full recognition (prior valuation allowance was removed) of the net operating loss carryforwards as a deferred tax asset. The primary reason for the differences for the year ended December 31, 2019 is the recognition of a valuation allowance against a portion of the net operating loss carryforwards not expected to be realized.

As of December 31, 2020, the Company has federal and state NOL carryforwards of approximately $12,337 and $3,570, respectively, to reduce future years' taxable income, with varying expiration dates through December 31, 2038.

The Company reviews the need to maintain a deferred tax asset valuation allowance on an on-going basis. The Company analyzes many factors, including the size and frequency of operating losses, the existence and current amount of taxable income, operating results on a three-year cumulative basis, the expected occurrence of future income or loss, the expiration dates of the loss carryforwards including its ability to carryback losses, and available tax planning strategies. Realization of its deferred tax asset, however, is ultimately dependent on generating sufficient taxable income prior to the expiration of the loss carryforwards. Although realization is not guaranteed, nor is any assurance to that effect given, management believes it is more likely than not that the amount of net deferred tax assets in excess of the valuation allowance will be realized. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. During the year ended December 31, 2020 the Company determined that all gross deferred tax assets are fully realizable and no valuation allowance has been provided for at December 31, 2020.

NOTE 11 – OTHER INCOME

On April 14, 2020, the Company received a loan from Town Bank in the amount of $196 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (PPP). The unsecured PPP loan bears interest at a fixed rate of 1.0% per annum and is guaranteed by the U.S. Small Business Administration (SBA). The entire principal amount and all accrued and unpaid interest is due April 14, 2022. However, all or a portion of this amount may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the PPP.

The Company is following ASC 470 *Debt* to account for the initial receipts related to the PPP loan. In November 2020, the SBA processed the Company's PPP loan forgiveness application and notified Town Bank the PPP loan qualified for full forgiveness. Loan proceeds were received by Town Bank from the SBA on this date. Therefore, the Company was legally released from the debt and the loan forgiveness has been recorded in other income during the year ended December 31, 2020 in the accompanying consolidated statements of income.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty. However, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

During the year ended December 31, 2019, the Company received $250 as settlement for a dispute, which is recorded in other income in the accompanying consolidated statements of operations.

NOTE 12 – RISKS AND UNCERTAINTIES

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Company is taking appropriate action to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

FIRSTIME DESIGN LIMITED AND SUBSIDIARIES
SHAREHOLDER INFORMATION

Company Directors
Christopher Bering
Chairman of the Board

Andrew Bass
Director

Jeffrey Cowie
Director

Executive Management
Christopher Bering
President and Chief Executive Officer

Stock
FirsTime Design Ltd., stock is quoted on the OTC Market-Pink under FTDL

Shareholder Communications
Stockholders can get quarterly financial results, stock price information, and other investor information by visiting the following investor page at:

http://www.otcmarkets.com/stock/FTDL/quote

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