MiniLuxe Holding Corp.

Consolidated Financial Statements for the fifty-three weeks ended January 1, 2023 and fifty-two weeks ended December 26, 2021, respectively

(Amounts expressed in United States Dollars)

Contents

Independent Auditor's Report

To the Shareholders of MiniLuxe Holdings Corp.

Opinion
We have audited the accompanying consolidated financial statements of MiniLuxe Holding Corp. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of January 1, 2023 and December 26, 2021, the related consolidated statements of net loss and comprehensive loss, changes in shareholders' (deficit) equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as of January 1, 2023 and December 26, 2021, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with Canadian Auditing Standards (CAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in the United States of America and Canada. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matter
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of tradename and contingent consideration
As described in Note 3 and Note 24 to the consolidated financial statements, the Company completed the acquisition of Paintbox, LLC for total consideration of $1,730,081 on August 16, 2022. The Company accounted for this transaction under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated, on a preliminary basis, to the assets acquired and liabilities assumed based on their respective fair values, including tradename of $948,000 and resulting goodwill of $260,073. Included in the total consideration is contingent consideration in the form of an earn-out valued at $359,073. In order to value the tradename, the Company used the income approach, which is a method that involves the use of discounted cash flows. In order to value the contingent consideration, the Company used an option-pricing model which takes into account multiple variables. These models require management to make significant assumptions, which include, where applicable, forecast of future cash flows, forecasted revenue growth rates, royalty rates, and discount rates.

We identified the valuation of tradename and contingent consideration related to the earn-out as a key audit matter as there was a high degree of auditor judgment and increased audit effort, including the use of a valuation specialist, when performing audit procedures to evaluate the reasonableness of significant estimates and assumptions utilized in management's valuations.

Our audit procedures related to the Company's significant estimates and assumptions, including forecasts of future cash flows and revenue growth rates, as well as the selection of the royalty rates and discount rates, for the tradename and contingent consideration related to the earn-out included the following, among others:

- We evaluated the reasonableness of management's forecasts of future cash flows and revenue growth rates by comparing the projections to historical results and those of certain peer companies.
- With the assistance of our internal valuation specialists, we evaluated the reasonableness of the valuation methodology, royalty rates and discount rates utilized by management by:
  - Evaluating the methodology used in determining the royalty rates and discount rates, testing the source information underlying the determination of the royalty rates and discount rates and testing the mathematical accuracy of the calculations.
  - Developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and CAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with GAAS and CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manager that achieves fair presentation.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Shaker.

RSM US LLP

Boston, Massachusetts
April 27, 2023

MiniLuxe Holding Corp.
Consolidated Statements of Financial Position
As at January 1, 2023 and December 26, 2021
Amounts expressed in United States Dollars

	Notes	January 1, 2023	December 26, 2021
Assets			
Current assets:			
Cash and cash equivalents		$ 8,178,375	$ 19,120,111
Restricted cash		165,000	-
Inventories	8	1,702,822	1,686,074
Prepaid expenses and other current assets		672,717	412,987
Total current assets		10,718,914	21,219,172
Non-current assets:			
Property and equipment, net	9	6,256,604	6,827,296
Intangible assets	9	633,737	497,251
Goodwill	9	260,073	-
Tradename	9	948,000	-
Deposits		358,487	269,192
Long-term investment	20	50,000	50,000
Right-of-use assets, net	16	4,526,779	4,633,385
Total non-current assets		13,033,680	12,277,124
Total assets		$ 23,752,594	$ 33,496,296
Equity and Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	11	$ 2,638,163	$ 3,575,416
Deferred revenue	4	2,406,644	1,376,325
Current portion of lease liabilities	16	1,513,440	1,383,645
Total current liabilities		6,558,247	6,335,386
Non-current liabilities:			
Lease liabilities	16	5,317,666	5,507,137
Loan payable	11	2,469,980	2,460,091
Contingent consideration	11, 24	630,081	-
Total non-current liabilities		8,417,727	7,967,228
Total liabilities		14,975,974	14,302,614
Shareholders' equity:			
Share capital	12	117,719,641	116,627,805
Contributed Surplus		798,576	630,243
Accumulated comprehensive loss		(109,741,597)	(98,064,366)
Total equity		8,776,620	19,193,682
Total equity and liabilities		$ 23,752,594	$ 33,496,296
Commitments and contingencies	18		
Subsequent events	25		

See notes to consolidated financial statements

Approved, on behalf of the Board of Directors, by:

"Tony Tjan" *"Zoe Krislock"*

Tony Tjan, Chairman

Zoe Krislock, Director and Chief Executive Officer

MiniLuxe Holding Corp.
Consolidated Statements of Net Loss and Comprehensive Loss
Years ended January 1, 2023 and December 26, 2021
Amounts expressed in United States Dollars

	Notes	53 weeks January 1, 2023	52 weeks December 26, 2021
Revenue	6	$ 21,470,394	$ 16,681,707
Cost of sales		12,095,557	8,516,979
Gross profit		9,374,837	8,164,728
General and administrative expense	13	16,675,031	13,863,113
Stock listing expense	5	-	5,919,418
Depreciation and amortization expense	9, 16	3,106,166	3,018,418
Operating loss		(10,406,361)	(14,636,221)
Finance costs	11, 16	(1,380,732)	(2,893,860)
Finance income		-	10,474
Other income	10	174,360	2,704,112
Change in fair value of redeemable preferred stock	11	-	(39,557,923)
Loss before tax		(11,612,733)	(54,373,418)
Income tax expense	15	(64,498)	(60,773)
Net loss and comprehensive loss for the year		$ (11,677,231)	$ (54,434,191)
Basic earnings per share	3, 17		
Subordinate voting shares		$ (0.08)	$ (1.40)
Proportionate voting shares		$ (79.74)	$ (1,402.41)
Basic weighted-average shares outstanding			
Subordinate voting shares		55,380,678	30,536,265
Proportionate voting shares		91,064	8,279
Diluted earnings per share			
Subordinate voting shares		$ (0.08)	$ (1.40)
Proportionate voting shares		$ (79.74)	$ (1,402.41)
Diluted weighted-average shares outstanding			
Subordinate voting shares		55,380,678	30,536,265
Proportionate voting shares		91,064	8,279

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Consolidated Statement of Changes in Shareholders' (Deficit) Equity
Years ended January 1, 2023 and December 26, 2021
Amounts expressed in United States Dollars

		Number of Shares						
		Common Shares	Proportionate Voting Shares	Subordinate Voting Shares	Amount	Contributed Surplus	Accumulated Comprehensive Loss	Total Shareholders' (Deficit) Equity
Balance at December 27, 2020		**20,889,476**	**-**	**-**	**$ 3,744,957**	**$ 326,598**	**$ (43,630,175)**	**$ (39,558,620)**
Share-based payments						216,208		216,208
Exercise of stock options		3,238			725	(500)		225
Exercise of warrants		159,055			46,290	(16,290)		30,000
Shares issued on conversion of convertible debt		21,163,112			27,248,881			27,248,881
Shares issued on cancellation of redeemable preferred shares		49,999,957			64,466,000			64,466,000
Conversion of MiniLuxe shares to MiniLuxe Holdings subordinate shares		(24,410,296)		32,783,760				-
Conversion of MiniLuxe shares to MiniLuxe Holdings proportionate shares		(67,804,542)	91,064					-
Shares deemed issued on reverse takeover transaction				13,750,000	13,200,000			13,200,000
Extinguishment of flow warrant liability						104,227		104,227
Shares issues in public investment in private equity transaction less transaction costs				8,438,566	7,920,952			7,920,952
Net comprehensive loss							(54,434,191)	(54,434,191)
Balance at December 26, 2021		-	91,064	54,972,326	116,627,805	630,243	(98,064,366)	19,193,682
Balance at December 26, 2021		**-**	**91,064**	**54,972,326**	**116,627,805**	**630,243**	**(98,064,366)**	**19,193,682**
Share-based payments	14					168,333		168,333
Exercise of stock options	14			43,790	1,752			1,752
Shares repurchased through normal course issuer bid	12			(30,000)	(9,916)			(9,916)
Shares issued for business combination	24			1,067,961	1,100,000			1,100,000
Net comprehensive loss							(11,677,231)	(11,677,231)
Balance at January 1, 2023		**-**	**91,064**	**56,054,077**	**$ 117,719,641**	**$ 798,576**	**$ (109,741,597)**	**$ 8,776,620**

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Consolidated Statement of Changes in Cash Flows
Years ended January 1, 2023 and December 26, 2021
Amounts expressed in United States Dollars

	Notes	**January 1, 2023**	**December 26, 2021**
Cash flows from operating activities:			
Net loss		(11,677,231)	(54,434,191)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	9, 16	3,106,166	3,018,418
Share-based payments	14	168,333	216,208
Income tax expense		64,498	60,773
Loss on disposal of property and equipment	9	69,638	438,759
Real estate modifications	16	124,664	(443,046)
Loss on financial instruments		-	33,849,143
Listing expense		-	5,919,418
Loss on change in fair value of derivative liability		-	5,607,975
Change in fair value of warrants		-	3,423
Interest expense	16	1,380,732	2,893,860
Changes in operating assets and liabilities		-	-
Inventories	8	225,814	(189,544)
Prepaid expenses and other current assets		(253,056)	(178,008)
Deposits		(67,401)	10,875
Accounts payable and accrued expenses	11	(942,719)	675,225
Deferred revenue	4	507,779	215,041
		(7,292,783)	(2,335,671)
Interest paid		(995,843)	(1,379,542)
Taxes paid		(73,038)	(54,086)
Cash flows used in operating activities		(8,361,664)	(3,769,299)
Cash flows from investing activities:			
Acquisition of equipment	9	(310,168)	(728,512)
Acquisition of ROU asset		(36,606)	-
Acquisition of cash from business combination		14,872	-
Acquisition of intangibles	9	(390,821)	(497,251)
Payment for long-term investment		-	(50,000)
Cash flows used in investing activities		(722,723)	(1,275,763)
Cash flows from financing activities:			
Proceeds from issuance of convertible promissory notes	11	-	4,934,288
Proceeds from loan payable		-	2,455,000
Repayment of loan payable	11	(375,000)	(254,167)
Repayment of principal portion of lease liabilities	16	(1,309,185)	(1,374,237)
Cash acquired from RTO transaction	5	-	7,388,245
Proceeds from PIPE	5, 12	-	8,119,451
Shares repurchased through NCIB	14	(9,916)	-
Option exercises	14	1,752	30,225
Net cash (used in) provided by financing activities		(1,692,349)	21,298,805
Increase (decrease) in cash and cash equivalents		(10,776,736)	16,253,743
Cash, cash equivalents and restricted cash, beginning of period		19,120,111	2,866,368
Cash, cash equivalents and restricted cash, ending of period		8,343,375	19,120,111

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Consolidated Statement of Changes in Cash Flows
Years ended January 1, 2023 and December 26, 2021
Amounts expressed in United States Dollars

	Notes	January 1, 2023	December 26, 2021
Supplemental disclosures of cash flows information:			
Issuance of subordinate shares in connection with acquisition	24	1,100,000	-
Acquisition of assets and liabilities from business combination			
Cash		(14,872)	-
Prepaid expenses and other current assets		(6,673)	-
Inventory		(242,562)	-
Property and equipment		(797,656)	-
Deposits		(21,894)	-
Accrued expenses and other current liabilities		39,109	-
Deferred revenue		522,540	-
Goodwill		(260,073)	-
Trade name		(948,000)	-
Contingent consideration		630,081	-
Total		(1,100,000)	-

Note 1. Nature of Business

MiniLuxe, Inc. ("MiniLuxe" or the "Company") was incorporated on April 26, 2008 in the state of Delaware, United States of America (USA). The office of the Company is located at 1 Faneuil Hall Sq Fl 7 Boston, Massachusetts.

MiniLuxe owns and operates nail and beauty salons and provides consumers with nail, hand, foot care, and waxing services, and sells personal beauty products. The Company's business model today consists of one principal operating segment that includes Talent Revenue (revenue generated through the delivery of services) and Product Revenue (revenue generated on retail sales of proprietary and third-party products across an omni-channel platform).

Under an accounting convention common in the retail industry, the fiscal year of the Company is a 52-week reporting cycle ending on the Sunday closest to December 31, which periodically necessitates a fiscal year of 53 weeks. The year ended January 1, 2023 (referred to in these statements as 2022) includes 53 weeks and the year ended December 26, 2021 (referred to in these statements as 2021) includes 52 weeks.

On November 23, 2021, MiniLuxe and MiniLuxe Holding Corp ("MiniLuxe Holding"), formerly Rise Capital Corp., completed a reverse takeover transaction (the "RTO" or the "Transaction"), providing for the acquisition by MiniLuxe Holding of all the issued and outstanding common shares of MiniLuxe. Pursuant to a securities exchange agreement, all common shares of MiniLuxe were exchanged for common shares of MiniLuxe Holding, which is continuing on with the business of MiniLuxe. As a result, the financial statements are presented as a continuance of MiniLuxe (accounting acquirer), and the comparative figures presented in the financial statements are those of MiniLuxe. See note 5 for details. The Company's subordinate shares are listed on the Toronto Venture Stock Exchange (the "TSXV") under the trading symbol "MNLX" and on the OTCQX under the trading symbol. "MNLXF."

On August 16, 2022, the Company acquired substantially all the assets and liabilities of Paintbox, LLC, a nail care and self-care services and products business. Further information on the Paintbox acquisition can be found in Note 24.

The financial statements of MiniLuxe Holding Corp. for the year ended January 1, 2023 and December 26, 2021 were authorized by the Company's board of directors on April 27, 2023.

The Company's services and products are marketed and sold to consumers in the states of Massachusetts, Rhode Island, California, Texas, and New York.

Note 2. Basis of Presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements are comprised of the financial results of the Company and its wholly owned subsidiary MiniLuxe, Inc. All intercompany balances and transactions have been eliminated upon consolidation.

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss or financial assets at fair value through other comprehensive profit or loss. The Company's financial assets and liabilities revalued at fair value through comprehensive profit or loss include long term investments and redeemable preferred shares.

Note 3. Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Company when preparing its financial statements:

Cash and cash equivalents
The Company considers highly liquid investments purchased with an original maturity date of three months or less, that are readily convertible to a known amount of cash and subject to insignificant risk of changes in value, to be cash equivalents. Amounts in-transit from banks for customer credit card and debit card transactions that are processed in less than seven days are classified as cash and cash equivalents. The banks process the majority of these amounts within one to two business days.

Foreign currencies
The functional and presentation currency of the Company and its subsidiaries is the United States dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that time. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses are recognized in profit or loss.

Inventories
Inventories consist principally of finished goods merchandise products for sale to customers. Inventories are stated at the lower of cost or net realizable value determined on a first-in, first-out basis. Cost includes all direct and reasonable expenditures that are incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property and equipment, net
Property and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Furniture, fixtures, and equipment are depreciated over the estimated useful lives of the related assets using the straight-line method with an estimated useful life ranging from three to five years. Leasehold improvements are depreciated using the straight-line method over the shorter of the term of the lease or the estimated useful life of the related asset. The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Any property and equipment held for disposal or classified as held for sale is no longer depreciated once reclassified. Any gain or loss on the sale of property and equipment is recorded in the statement of net loss and comprehensive loss.

Note 3. Summary of Significant Accounting Policies (continued)

Intangible assets, Goodwill and Tradename
Intangible assets that have a definite useful life are measured at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with definite lives are amortized over their useful economic life on a straight-line basis from the date that they are available for use. The estimated useful lives for the current period are as follow:

- Tradename: indefinite life
- Goodwill: indefinite life
- Website: 3 years

Amortization methods and useful lives are reviewed at each annual reporting date and adjusted, prospectively.

Intangible assets with indefinite lives, comprising of goodwill and tradenames, are not amortized but are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill and tradename are tested for impairment at least annually at the year-end reporting date, and whenever there is an indication that the asset may be impaired.

For purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The Company has assessed its CGUs to be at the individual studio unit level. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed. The Company determined there was no impairment to intangible assets during the year ended January 1, 2023.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Note 3. Summary of Significant Accounting Policies (continued)

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities representing

obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term calculated using the Company's incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Non-lease components
The Company does not separate lease and non-lease components for all classes of underlying assets. As a result, non-lease components and non-components are accounted for together with the lease component(s).

Variable lease payments
Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Rent concessions
The Company elected not to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic should be accounted for as lease modifications. A lessee that makes this election accounts for any change in lease payments resulting from the rent concession the same way it would account for a change that was not a lease modification.

The Company has only applied this to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

Note 3. Summary of Significant Accounting Policies (continued)

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
(c) there is no substantive change to other terms and conditions of the lease.

Government grants
Government grants are recorded as other income or as a reduction of the cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met or will meet the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Grants that compensate the Company for expenses incurred, or for immediate financial support with no future related costs, are recognized in profit or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

Financial assets
Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets held by the Company are subsequently measured at fair value through profit or loss (“FVTPL”). As of January 1, 2023, the Company’s financial assets are cash and cash equivalents, along with a long-term investment. Cash and cash equivalents are carried at amortized cost.

Financial liabilities
Financial liabilities are classified, at initial recognition, as loans and borrowings or as payables, as appropriate. All financial liabilities are recognized initially at fair value, plus or minus transaction costs that are directly attributable to the acquisition of financial liabilities that are measured at amortized cost. Transaction costs directly attributable to financial liabilities classified as fair value through profit or loss are expensed as incurred.

The Company’s financial liabilities include accounts payable and accrued expenses, lease liabilities, loans payable, convertible promissory notes, redeemable preferred shares, warrants and contingent consideration. Accounts payable and accrued expenses, lease liabilities, loans payable, and convertible promissory notes are subsequently measured at amortized cost. Convertible promissory notes, redeemable preferred shares, warrants, and contingent consideration are subsequently measured at fair value through profit or loss.

Financial liabilities are initially analyzed for classification as debt or equity or both as applicable. Liabilities that have both debt and equity features are classified as compound financial instruments where the liability component is determined at fair value and any residual value is allocated to equity. Such liabilities are further analyzed for any other embedded features which are evaluated separately to determine if they qualify as embedded derivatives which should be bifurcated from the host instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or

Note 3. Summary of Significant Accounting Policies (continued)

modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. Refer to Note 4 for more details.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Earnings per share
Basic and diluted earnings per share have been determined by dividing the net comprehensive income or loss attributable to the Company's shareholders for the period, by the basic and diluted weighted average number of shares, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant, as applicable.

Revenue recognition
IFRS 15 provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

The Company derives its revenue from salon services and product sales to customers.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue on sales of services and products is recorded based on a fixed transaction price. Payments for services, retail sales and gift cards are due at the point of sale.

Note 3. Summary of Significant Accounting Policies (continued)

The Company records salon service revenue at a point in time when the service is provided, which is when the performance obligation is satisfied. The Company records revenue from product sales at a point in time of sale, which is when the performance obligation is satisfied. Online product sales are recorded upon the shipment of merchandise as control is transferred at point of shipment. Customers typically receive goods within a few days of shipment.

The Company collects and remits sales tax on transactions with customers and reports such amounts under the net method in the statement of operations. Accordingly, these taxes are not included in gross revenue.

When consideration is received and revenue has not yet been recognized, a contract liability (deferred revenue) is recorded. Historically the Company has only received consideration in advance of provided goods and services related to the sale of gift cards (prior to 2022, package sales were negligible). The Company sells gift cards in its salons and through its website. The Company records a liability in the period in which a gift card is sold. The Company does not charge administrative fees on unused gift cards, and gift cards do not have an expiration date. As gift cards are redeemed, the Company recognizes revenue and reduces the related liability. The Company introduced nail service packages in 2022, which are accounted for similarly to gift cards. See accounting policy and estimation process related to gift card breakage in Note 4.

Income taxes

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payments

The Company has stock option plans in place that are deemed to be equity-settled, share-based payments plans. The Company uses the Black-Scholes option-pricing model to determine the fair value of

Note 3. Summary of Significant Accounting Policies (continued)

stock-based awards and option grants in determining stock-based compensation. The fair value at grant date of share-based payments under the plan is expensed over the service period in which the employees unconditionally become entitled to the awards, based on the estimate of shares that will eventually vest.

The fair value of stock-based awards granted to non-employees is the fair value of the identifiable goods or services or the fair value of the equity instrument granted if the goods or services are not reliably measurable. The measurement date of the fair value is the date at which the Company receives the goods or services from the non-employees or the grant date of the instrument when the goods or services are unidentifiable. Goods or services are recognized in expense over the period that the services are received.

Further information regarding stock-based compensation can be found in Note 14.

Current and non-current classification
The Company presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is expected to be realized or intended to be sold or consumed within the normal operating cycle, held primarily for the purpose of trading, expected to be realized within twelve months after the reporting period, or cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, is held primarily for the purpose of trading, is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of its counterparty, result in settlement by the issue of equity instruments do not impact its classification. The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Business Combinations
The Company follows the acquisition method to account for business combinations in accordance with IFRS 3, *Business Combinations.* The consideration for the acquisition of a business is measured as the fair value of assets transferred, equity instruments issued, and liabilities incurred as of the date of acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured at their estimated fair values on the date of acquisition. Intangible assets in the form of trade name are valued using the income approach, which is a method of using discounted cash flows. The excess of the consideration transferred over the estimated fair value of the net assets acquired is recorded as goodwill. If the consideration transferred is less than the net assets acquired, the difference is recognized directly in the consolidated statements of net loss and comprehensive loss.

Contingent consideration to be transferred by the acquirer is recognized at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognized in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Transaction costs, other than those associated with the issue of debt or equity instruments, that the Company incurs in connection with a business combination are expensed as incurred.

Note 3. Summary of Significant Accounting Policies (continued)

New information obtained during the measurement period, which is up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date may affect the purchase price allocation.

Refer to Note 24 for additional information on the Company's acquisition.

Note 4. Significant Accounting Judgments, Estimates and Uncertainties

In the process of applying the Company's accounting policies, management has made the following judgements and estimates, while noting uncertainties, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred Revenue
The Company uses historic gift card redemption patterns to determine the probability of gift card redemption. When a gift card is not subject to escheatment and it is probable that a portion of a gift card will not be redeemed, this amount is considered to be breakage. Breakage is recognized as revenue consistent with the historic redemption patterns of the associated gift cards. The Company recognized breakage income of $0 and $110,010 in the years ended January 1, 2023 and December 26, 2021, respectively, and these amounts have been included in revenue in the statements of net loss and comprehensive loss. Please see below for a summary of deferred revenue activity related to gift cards:

Balance at December 27, 2020	$	1,151,326
Gift Card Issuances		1,024,433
Gift Card Usage		(687,912)
Gift Card Breakage		(110,010)
Balance at December 26, 2021	$	1,377,837
Gift Card Issuances		1,096,855
Paintbox Gift Cards Acquired		522,540
Gift Card Usage		(858,664)
Gift Card Breakage		-
Balance at January 1, 2023	$	2,138,568

The Company reports the gift card contract liabilities within deferred revenue on the statement of financial position. In addition to the deferred revenue related to gift cards, the Company also records deferred revenue related to service package sales.

Balance at December 27, 2020	$	9,958
Package Issuances		12,022
Package Usage		(23,682)
Balance at December 26, 2021	$	(1,702)
Package Issuances		424,544
Package Usage		(154,766)
Balance at January 1, 2023	$	268,076

Leases - Determining the lease term of contracts with renewal and termination options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Note 4. Significant Accounting Judgments, Estimates and Uncertainties (continued)

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain it will exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for leases of real estate and equipment with non-cancellable periods as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate
If the Company cannot readily determine the interest rate implicit in its leases, it instead uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Share-based payments
The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model such as the Black-Scholes model. The inputs to the model include share price, exercise price, assumptions regarding expected volatility, expected life of share option and expected dividend yield.

Fair value measurement hierarchy
The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. For more details of the fair value disclosures, refer to Note 20.

Impairment of non-financial assets
In assessing for indicators of impairment at the end of the reporting period, management did not note any external or internal sources of information that would result in an adverse effect to its existing CGUs. This

Note 4. Significant Accounting Judgments, Estimates and Uncertainties (continued)

determination was made through extensive consideration of the environment in which MiniLuxe operates, as well as company performance and guidance from governmental and health organizations.

Note 5. Reverse Takeover Transaction

On November 23, 2021, MiniLuxe Holding and MiniLuxe completed the RTO Transaction, whereby the shareholders of MiniLuxe held a majority of the outstanding subordinating voting shares of MiniLuxe Holding (59.6%) and 100% of the outstanding proportionate voting shares. The substance of the RTO Transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination as the accounting acquiree does not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the RTO Transaction has been accounted for as a share-based payment under IFRS 2 – Share Based Payments, with MiniLuxe being identified as the accounting acquirer and the equity consideration being measured at fair value. The RTO Transaction has been accounted for in the consolidated financial statements as a continuation of the financial statements of MiniLuxe, together with a deemed issuance of shares equivalent to the former shareholders of MiniLuxe Holding. The operating results of MiniLuxe Holding have been consolidated from November 24, 2021 onward as the period subsequent to the close of the RTO Transaction.

MiniLuxe Holding details of the RTO Transaction are as follows:

Purchase Price Consideration Paid	
Fair Value of shares issued	$13,200,000
Net Identifiable Assets Acquired	
Cash on hand	$7,388,245
Accounts payable and accrued liabilities	$(107,663)
Total net assets acquired	$7,280,582
Consideration paid representing the listing expense	$5,919,418

MiniLuxe has accounted for the RTO Transaction as an asset acquisition is the scope of IFRS 2 – Share Based Payments. Consideration consisted entirely of shares of MiniLuxe Holding which were measured at the estimated fair value on the date of acquisition. The fair value of the subordinated and proportionate voting shares issued to former MiniLuxe shareholders was determined to be $13,200,000 based on the fair value of the common shares issued under the PIPE transaction discussed in Note 12.

As part of the transaction MiniLuxe Finco merged with Rise Capital Corp. MiniLuxe Finco undertook a private investment in public equity (“PIPE”) transaction. The proceeds from the PIPE transaction were raised in MiniLuxe Finco and were transferred to Rise as part of the merger. As a result of this transaction MiniLuxe Holdings ultimately raised $8,119,451 on the issuance of 8,438,566 shares (recorded as $7,920,952 on the statement of changes in shareholder’s equity as net of transaction costs of $198,499). For more details on this transaction refer to Note 12.

Note 6. Segment information

The Company has one operating segment, which consists of talent revenue and product revenue. The revenue recognition for the talent revenue and product revenue are recognized at a point in time.

The Company operates in only one geographical region which is the United States of America (USA).

	January 1, 2023	December 26, 2021
Talent revenue	$ 21,143,848	$ 16,261,652
Product revenue	326,546	420,055
	$ 21,470,394	$ 16,681,707

Note 7. Capital Management

For the purpose of the Company's capital management, capital includes subordinate voting shares, proportionate voting shares, contributed surplus and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may declare discretionary dividend payments to shareholders, return capital to shareholders or issue new shares. The Company includes within net (excess) debt, interest and non-interest bearing loans and borrowings, accounts payable and accrued expenses, less cash and short-term deposits.

	January 1, 2023	December 26, 2021
Interest-bearing loans and borrowings:		
Loan payable	$ 2,469,980	$ 2,460,091
Current portion of lease liabilities	1,513,440	1,383,645
Lease liabilities	5,317,666	5,507,137
Accounts payable and accrued expenses	2,638,163	3,575,416
Less cash	(8,343,375)	(19,120,111)
Net debt	3,595,874	(6,193,822)
Equity	8,776,620	19,193,682
Total capital	8,776,620	19,193,682
Capital and net debt	$ 12,372,494	$ 12,999,860

No changes were made in the objectives, policies or processes for managing capital during the years ended January 1, 2023 or December 26, 2021.

Note 8. Inventories

Inventory consisted of the following at January 1, 2023 and December 26, 2021:

	January 1, 2023	December 26, 2021
Merchandise and retail products	$ 760,002	$ 594,055
Inventory supplies	297,306	307,754
Polish	309,473	399,140
Raw materials	336,041	385,125
Total Inventories	$ 1,702,822	$ 1,686,074
Inventory write-downs	$ 104,599	$ 138,193

There have been no reversals of inventory write-downs for the years ending January 1, 2023 and December 26, 2021.

Inventory recognized as an expense in cost of sales is $1,474,829 and $1,021,160 for the years ending January 1, 2023 and December 26, 2021, respectively.

Note 9. Property and Equipment, net and Intangible Assets

Property and equipment, net consists of the following at January 1, 2023 and December 26, 2021:

	Furniture, Fixtures & Equipment	Leasehold Improvements	Total
Cost			
At December 27, 2020	$ 2,022,144	$ 15,478,346	$ 17,500,490
Additions	185,958	542,554	728,512
Disposals	(223,447)	(1,031,130)	(1,254,577)
At December 26, 2021	$ 1,984,655	$ 14,989,770	$ 16,974,425
Additions	284,827	822,997	1,107,824
Disposals	-	(69,638)	(69,638)
At January 1, 2023	$ 2,269,482	$ 15,743,129	$ 18,012,611
Depreciation			
At December 27, 2020	$ 1,753,885	$ 7,573,335	$ 9,327,220
Depreciation charge for the year	195,503	1,440,224	1,635,727
Disposals	(207,392)	(608,426)	(815,818)
At December 26, 2021	$ 1,741,996	$ 8,405,133	$ 10,147,129
Depreciation charge for the year	155,237	1,453,641	1,608,878
At January 1, 2023	$ 1,897,233	$ 9,858,774	$ 11,756,007
Net book value			
At December 26, 2021	$ 242,659	$ 6,584,637	$ 6,827,296
At January 1, 2023	**$ 372,249**	**$ 5,884,355**	**$ 6,256,604**

Intangible assets consists of the following at January 1, 2023 and December 26, 2021:

	Website	Goodwill	Tradename
Cost			
At December 26, 2021	$ 497,251	$ -	$ -
Additions	390,821	260,073	948,000
At January 1, 2023	$ 888,072	$ 260,073	$ 948,000
Depreciation			
At December 26, 2021	$ -	$ -	$ -
Amortization charge for the year	254,335	-	-
At January 1, 2023	$ 254,335	-	-
Net book value			
At December 26, 2021	$ 497,251	$ -	$ -
At January 1, 2023	**$ 633,737**	**$ 260,073**	**$ 948,000**

Note 10. Government Grants

In November of 2021 and March of 2022, the Company received a refundable payroll tax credit, the Employee Retention Credit, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of $2,261,066 and $164,222 respectively.

The Employee Retention Credit is a government funded tax credit established by the United States federal government under the CARES Act to help eligible employer that presented a decline in business due to the COVID-19 pandemic and related shutdowns. The Company recognized the entirety of the Employee Retention Credit as other income when it was reasonably assured the credit would be received, which occurred upon cash receipt.

See Note 25 (Subsequent Events) for further information on receipt of Government Grants.

Note 11. Financial Instruments

The Company's financial assets are comprised of a long-term investment.

On December 15, 2021, the Company invested in BeautyByMe, a volumetric device brand focused on the creation of small-batch, on-demand cosmetic products for $50,000. The investment is classified as FVTPL with all changes in value being recorded through the statement of net loss and comprehensive loss. The investment is presented as a long-term asset.

The Company's financial liabilities are comprised of the following:

	Interest Rate	Maturity	January 1, 2023	December 26, 2021
Current interest-bearing loans and borrowings				
Lease liabilities	15%	2023	$ 1,513,440	$ 1,383,645
Total current interest-bearing loans and borrowings			1,513,440	1,383,645
Non-current interest-bearing loans and borrowings				
Lease liabilities	15%	2023-2027	5,317,666	5,507,137
Loan Payable	15%	2025	2,469,980	2,460,091
Total non-current interest-bearing loans and borrowings			**7,787,646**	**7,967,228**
Total interest-bearing loans and borrowings			**9,301,086**	**9,350,873**
Financial liabilities at amortized cost, other than interest-bearing loans and borrowings				
Accounts payable and accrued expenses			2,638,163	3,575,416
Contingent consideration			630,081	-
Total other financial liabilities			**$ 3,268,244**	**$ 3,575,416**
Total current			$ 4,151,603	$ 4,959,061
Total non-current			$ 8,417,727	$ 7,967,228

Convertible promissory notes

On November 9, 2018, the Company's Board of Directors approved the issuance of convertible promissory notes in the aggregate principal amount of up to $7,500,000. The Company made numerous amendments to the promissory notes to increase the principal amount to $12,500,000, extend the maturity date to April 30, 2022, and change the notes convertible as being convertible from Series C-3 preferred shares to Series B preferred shares, which carry the same rights but have carry different values, as the value per share increased in line with the decrease in outstanding shares.

The notes earned interest at a rate of 10% per year. Each note matured on the date of the first to occur of (i) the consummation of a liquidation event, as defined in the agreement, (ii) the consummation of a qualified financing, and (iii) a written demand by holders representing a majority of the principal amount then outstanding on or after the earlier of October 31, 2020, amended to April 30, 2022, or the occurrence of an event of default, as defined in the agreement. Under the terms of the agreements, if a qualifying financing occurred before maturity, the convertible promissory notes and accrued interest were convertible at the lesser of (i) 80% of the price per share paid generally by cash investors in such qualifying financing or (ii) a capped price per share calculated at an amount equal to $100,000,000 divided by the number of shares of common stock outstanding on a fully-diluted basis as of immediately prior to the initial closing of such

Note 11. Financial Instruments (continued)

qualifying financing, as defined in the agreements. Upon a liquidation event (defined in the agreements), the Company was required to repay to each note holder, the greater of (i) the sum of one and one-half multiplied by any outstanding principal balance plus unpaid interest accrued or (ii) the amount the note holder would have been entitled to receive in connection with such liquidation event if the aggregate amount of principal and unpaid accrued interest had been converted to shares of Series B Preferred shares at a price per share of $1.03.

The Company issued $5,000,000 in a combination of convertible promissory notes and senior debt in April of 2021. The terms of these new convertible note purchase agreements are in line with those disclosed above. The notes earned interest at a rate of 10% per year. Each note matured on the date of the first to occur of (i) the consummation of a liquidation event, as defined in the agreement, (ii) the consummation of a qualified financing, and (iii) a written demand by holders representing a majority of the principal amount then outstanding on or after the earlier of April 30, 2022, or the occurrence of an event of default, as defined in the agreement. Under the terms of the agreements, if a qualifying financing occurred before maturity, the convertible promissory notes and accrued interest were convertible at the lesser of (i) a percentage ranging from 70-77.5% (dependent on the principal amount of the note) of the price per share paid generally by cash investors in such qualifying financing or (ii) a capped price per share calculated at an amount equal to $100,000,000 divided by the number of shares of common stock outstanding on a fully-diluted basis as of immediately prior to the initial closing of such qualifying financing, as defined in the agreements. Upon a liquidation event (defined in the agreements), the Company was required to repay to each note holder, the greater of (i) the sum of one and three-quarters multiplied by any outstanding principal balance plus unpaid interest accrued or (ii) the amount the note holder would have been entitled to receive in connection with such liquidation event if the aggregate amount of principal and unpaid accrued interest had been converted to shares of Series B Preferred shares at a price per share of $1.03.

The conversion feature on the convertible promissory notes meets the definition of a derivative liability in accordance with IAS 32. The derivative liability is measured each period at fair value through profit or loss in accordance with IFRS 9. Interest expense and accrued interest of $1,492,964 were recognized in the year ending December 26, 2021.

As part of the reverse takeover transaction during the year ended December 26, 2021, MiniLuxe Inc. converted the outstanding convertible debt into 21,163,112 MiniLuxe common shares. Prior to the conversion, the derivative liability was revalued, and the fair value was determined to be $5,604,552. The

entire balance of the convertible promissory note including the accrued interest and derivative liability were derecognized and the share capital issued was recognized as part of the RTO transaction.

Senior debt

The Company issued $2,500,000 of senior debt recorded at $2,460,000 (net of approximately $40,000 in transaction costs) during the quarter ended June 27, 2021 repayable no later than April 27, 2025. The Company is required to make monthly interest payments of $31,250 until the maturity date of the loan. Interest expense on the senior debt for the years ended January 1, 2023 and December 26, 2021 was $384,890 and $259,257 respectively. Concurrently, the Company issued warrants with the senior debt. The warrants had terms that allowed the holder to exercise the warrants at a price to be determined at a later date. As such, the warrant were classified as a derivative liability in accordance with IAS 32. The warrants are measured at fair value through profit and loss in accordance with IFRS 9. As part of the RTO transaction the warrants no longer met the requirements to be classified as a liability. Immediately prior to the reverse takeover transaction date the warrants were revalued to $104,227 and reclassified to Contributed Surplus.

Note 11. Financial Instruments (continued)

Redeemable preferred stock

Since inception, the Company has been funded through several private placements of redeemable preferred shares. As of December 27, 2020, the Company's Articles of Incorporation (Articles), as amended, authorize the issuance of 89,698,000 shares of redeemable preferred shares with a par value of $0.001 per share. Of these authorized shares, 6,512,000 shares were designated Series Seed.

Preferred shares, 22,308,000 shares were designated New Series A Preferred shares, and 60,878,000 shares were designated New Series B Preferred shares.

Preferred shares are compound financial instruments which require separation into liability and equity components based on the terms of the contract. The instrument is measured at its fair value to determine the liability component and with any residual value allocated to the equity component. The fair value of the instrument is entirely assigned to the liability component due to the nature of its redemption feature. As a result, there is no value allocated to equity. The liability component is subsequently measured at fair value with change in fair value recorded in the comprehensive income each year.

As part of the reverse takeover transaction, the preferred shares were cancelled and exchanged for the subordinate and proportionate voting shares of MiniLuxe Holding Corp. At the point of the exchange, the preferred shares would be recorded at fair value. The fair value of the preferred shares on November 23, 2021 was determined to be $64,466,000, with a loss recognized in the amount of $33,849,143 during the year ended December 26, 2021.

At November 23, 2021, prior to the preferred shares being exchanged as part of the RTO Transaction, the fair value of the preferred shares was calculated using the Current Value Method. The only assumption used was the equity value of $127,015,000. The redeemable preferred shares were derecognized and share capital issued was recognized as part of the RTO Transaction during the year ended December 26, 2021.

Accounts payable and accrued expenses

	January 1, 2023	December 26, 2021
Accounts payable	$ 869,094	$ 777,994
Other payables and accrued expenses	1,707,312	2,610,772
Interest payable	-	31,250
Variable rent	61,757	155,400
	$ 2,638,163	$ 3,575,416

Terms and conditions of the above financial liabilities:

- Accounts payables and accrued expenses are non-interest bearing and are normally settled on 30-day terms.
- Variable Rent and other payables are non-interest bearing and have an average term of 30 days.
- Interest is payable on maturity of the convertible promissory notes.

Note 11. Financial Instruments (continued)

Finance Costs

Reconciliation of finance costs for the years ended January 1, 2023 and December 26, 2021 are summarized in the following table:

	January 1, 2023	December 26, 2021
Convertible note interest	$ -	$ 1,492,964
Lease interest	995,843	1,111,834
RTO adjustments	-	28,805
Senior debt interest	384,889	259,257
Other	-	1,000
	$ 1,380,732	$ 2,893,860

Note 12. Share Capital

On November 23, 2021, prior to the reverse takeover transaction, MiniLuxe FinCo performed a PIPE transaction. As a result of this transaction MiniLuxe FinCo issued 8,438,566 subscription receipts for total proceeds of $8,119,451 (recorded as $7,920,952 on the statement of changes in shareholder's equity as net of transaction costs of $198,499). Each of these subscription receipts was convertible to one subordinate Voting Share of MiniLuxe Holding once the reverse takeover transaction has been completed. Once the reverse takeover transaction was completed, these subscription receipts were converted to 8,438,566 subordinate Voting Shares. Prior to the conversion of the subscription receipts, the shareholders of MiniLuxe exchanged their common and preferred shares into subordinate or proportionate voting shares of MiniLuxe Holding. The conversion was done at a rate of 1 to 1.34303 for all shares. The overall shares outstanding decreased as the shares that were converted to proportionate Voting Shares were first converted using the ratio of 1000 to 1 prior to the conversion ratio being applied.

On August 16, 2022, the Company acquired a majority of the assets of Paintbox for total equity consideration of $1,730,081, inclusive of earnouts and indemnity holdbacks. Upon closing of the transaction, the Company issued a total of 1,067,961 shares for $1,100,000 in base equity consideration for the Paintbox acquisition. See Note 24 for further information on the acquisition of Paintbox.

During the year ended January 1, 2023, the Company acquired a total of 30,000 subordinate voting shares for C$13,225 under its Normal Course Issuer Bid ("NCIB") announced on September 19, 2022. As noted in the press release, the NCIB commenced on September 20, 2022 and will terminate upon the earliest of (i) the Company purchasing 2,800,000 subordinate voting shares, (ii) the Company providing notice of termination of the NCIB, and (iii) September 20, 2023. Under the NCIB, the Company may not acquire more than 2% of its issued and outstanding subordinate voting shares in any 30-day period.

As of January 1, 2023, the Company has authorized an unlimited number of subordinate and proportionate voting shares. The holders of the subordinate and proportionate voting shares are entitled to vote on all matters. The holders of the subordinate voting shares are entitled to the number of votes equal to the number shares held. The holders of the proportionate voting shares are entitled to 1,000 votes for each share held. As of January 1, 2023, there was 56,161,627 subordinate voting shares and 91,064 proportionate voting shares issued and outstanding.

Note 13. General and Administrative Expenses

General and administrative expenses are comprised of the following:

	Year ended January 1, 2023	*Year ended* December 26, 2021
Salaries, wages and employee benefits	$ 7,481,116	$ 6,368,877
Professional fees	1,789,344	625,468
Marketing and selling expenses	1,212,318	600,166
Variable rent	955,371	953,547
IT related costs	943,043	514,445
HR, payroll and recruiting fees	650,561	535,643
Bank and credit card fees	641,048	490,513
Operating supplies	581,521	520,350
Warehouse	576,343	455,358
Repairs and maintenance	513,433	383,478
Insurance, permits and fines	468,058	189,324
Travel, meals and entertainment	369,380	268,815
Stock compensation	168,333	216,208
Equipment	104,002	164,213
Listing costs	84,739	-
Loss on disposal of property and equipment	69,638	438,759
Third party consultants	35,104	906,275
Other expenses	31,679	231,674
Total general and administrative expense	$ 16,675,031	$ 13,863,113

Note 14. Share-based payments

Prior to the RTO Transaction a total of 5,739,488 shares were authorized for issuance under the 2019 Stock Plan. Under the same stock plan at December 27, 2020, 1,373,262 options to purchase shares were available for issuance.

As part of the RTO Transaction, each option of MiniLuxe was exchanged for 1.34303 options of MiniLuxe Holding, with the corresponding exercise price for each option being reduced by the same ratio. Each option of MiniLuxe was then cancelled. This also resulted in the cancellation of the 2019 Stock Plan and the establishment of the 2021 Omnibus Equity Incentive Compensation Plan (the “Plan”). Under the Plan, 14,603,586 shares and an aggregate of 13,228,771 between Restricted Share Units (“RSU”), Deferred Share Units (“DSU”) and Performance Share Units (“PSU”) are authorized for issuance at January 1, 2023.

Options to purchase 6,596,591 subordinate voting shares were available for issuance under the Plan as of January 1, 2023. No RSUs, DSUs or PSUs were issued and outstanding as of January 1, 2023.

Note 14. Share-based payments (continued)

Stock option activity under the Plan during the period ended December 26, 2021 and January 1, 2023 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (In Years)
Outstanding at December 27, 2020	2,371,420	$ 0.29	8.1
Granted	2,587,000	0.09	
Forfeited	(7,214)	0.24	
Exercised	(3,515)	0.23	
Cancelled	(120)	0.29	
Exchange on RTO Transaction	1,697,165	-	
Outstanding at December 26, 2021	6,644,736	$ 0.21	8.1
Options exercisable at December 26, 2021	3,862,379	$ 0.17	8.1
Granted	1,764,295	0.35	
Forfeited	(402,036)	0.33	
Exercised	(43,790)	0.04	
Cancelled	-	-	
Outstanding at January 1, 2023	7,963,205	$ 0.20	8.0
Options exercisable at January 1, 2023	5,265,884	$ 0.18	7.1

The weighted-average fair value of stock options granted during the years ended January 1, 2023 and December 26, 2021 under the Black-Scholes option-pricing model were $0.20 and $0.09 per share, respectively.

In the years ended January 1, 2023 and December 26, 2021, 43,790 and 3,515 stock options were exercised, respectively.

The Company recognized $168,333 and $216,208 in stock-based compensation expense for the years ended January 1, 2023 and December 26, 2021, respectively. As of January 1, 2023, there was approximately $237,684 of total unrecognized compensation expense related to unvested employee stock-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.6 years.

A total of 1,764,295 options were granted during the year ended January 1, 2023 in two tranches (the first grant on June 26, 2022 and the second on July 26, 2022). The fair value of stock options granted was measured with the following assumption:

Note 14. Share-based payments (continued)

Grant Date: June 26, 2022

Exercise Price	$0.35
Share Price	$0.40
Expected Volatility	50%
Expected option life	7 years
Expected dividend yield	0.0%
Risk-free interest rate	3.19%

Grant Date: July 26, 2022

Exercise Price	$0.35
Share Price	$0.34
Expected Volatility	50%
Expected option life	7 years
Expected dividend yield	0.0%
Risk-free interest rate	2.88%

2021 Grants

Exercise Price	$0.18
Share Price	$0.18
Expected Volatility	50%
Expected option life	7 years
Expected dividend yield	0.0%
Risk-free interest rate	1.29%

The fair value of the share-based payment transactions is measured based on valuation models. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, expected life of the instruments (based on contractual life and tranche vesting term), expected dividends, and the risk-free interest rate (based on government bonds). The Company considered the historical volatility of similar entities for which share price information is publicly available when estimating the expected volatility. The listed entities used in the analysis operate within a similar industry space, focusing on the delivery of similar products and services.

Note 15. Income Taxes

Reconciliation of tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2022 and 2021:

	January 1, 2023	December 26,2021
Accounting loss before tax	$ (11,612,733)	$ (54,373,418)
Statutory rate	26.50%	26.50%
Expected income tax recovery	(3,077,374)	(14,408,956)
Non-deductible expenses	49,154	13,025,341
Change in statutory rates and other	(747,609)	(2,869,686)
Change in valuation allowance	3,840,327	4,314,074
Total income tax expense	$ 64,498	$ 60,773

Unrecognized deferred tax assets:

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	January 1, 2023	**December 26, 2021**
Net operating loss carry forwards – United States	$ 67,366,277	$ 61,875,194
Net operating loss carry forwards – Canada	6,881,772	108,166
Property, plant and equipment	4,374,312	4,234,749
Right of use assets	(4,526,778)	(4,633,385)
Lease liabilities	6,831,106	6,890,782
Share issue costs	159,296	185,832
Other	46,447	56,363
Accruals	-	(1,409,422)
Total deductible temporary difference	$ 81,132,432	$ 67,308,279
Net deferred tax asset	23,352,378	19,512,051
Unrecognized deferred tax asset	(23,352,378)	(19,512,051)
Net deferred tax asset	$ -	$ -

The Company has total net operating losses in the United States of America of $67,366,277 as of January 1, 2023. Of the total net operating losses, $39,092,296 are available indefinitely for offsetting against future taxable profits of the company in which the losses arose (December 27, 2021 - $28,151,766). The remaining losses expire through 2037.

The Company's Canadian net operating losses expire as follows: $6,264,144 in 2041 and $617,627 in 2042.

The Company has determined that as a result of its history of net operating losses it is not probable that it will have sufficient taxable profits to utilize its unused tax assets in the future. Therefore, no net deferred tax asset is recognized in its financial statements.

Note 16. Leases

The Company has lease contracts for real estate and other equipment used in its operations. Leases of real estate have lease terms generally between 3 and 10 years, and equipment generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of equipment with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. Furthermore, the Company has combined lease and non-lease components for its real estate leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Real Estate	Equipment	Total
As at December 27, 2020	$ 6,903,467	$ 15,446	$ 6,918,913
Modifications	(902,837)	-	(902,837)
Depreciation expense	(1,371,575)	(11,116)	(1,382,691)
As at December 26, 2021	**$ 4,629,055**	**$ 4,330**	**$ 4,633,385**
Additions	1,203,050	-	1,203,050
Modifications	(66,703)	-	(66,703)
Depreciation expense	(1,238,716)	(4,237)	(1,242,953)
As at January 1, 2023	**$ 4,526,686**	**$ 93**	**$ 4,526,779**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period and compared to FY2021:

	January 1, 2023	December 26, 2021
Balance as of beginning of the period	$ 6,890,782	$ 9,082,353
Additions	1,129,444	-
Modifications	57,962	(980,026)
Accretion of interest	995,843	1,111,834
Payments	(2,242,925)	(2,323,379)
Balance as of end of the period	$ 6,831,106	$ 6,890,782
Current	$ 1,513,440	$ 1,383,645
Non-Current	$ 5,317,666	$ 5,507,137

The following are the amounts recognized in profit or loss:

	January 1, 2023	December 26, 2021
Depreciation expense of right-of-use assets	$ 1,242,953	$ 1,382,691
Interest expense on lease liabilities	995,843	1,111,834
Expense relating to leases of low-value assets	33,358	36,600
Variable rent	955,371	804,927
Total amount recognized in comprehensive loss	$ 3,227,525	$ 3,336,052

Note 16. Leases (continued)

The Company recorded a gain on modification of real estate leases within other income in the amount of $0 and $443,046 in the years ended January 1, 2023 and December 26, 2021, respectively.

The following table shows the Company's fixed and variable rent payments:

		January 1, 2023		December 26, 2021
Fixed rent	$	2,339,507	$	2,498,612
Variable rent only		893,614		881,039
	$	3,233,121	$	3,379,651

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

As at January 1, 2023 and December 26, 2021, undiscounted potential future rental payments of $11,812,431 have not been included in the lease liability because it is not reasonably certain these options will be exercised.

Note 17. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to common equity holders of the Company by the weighted average number of participating common stock outstanding during the year. The participating common stock includes the Company's subordinate and proportionate voting shares. Diluted EPS is calculated by dividing the profit attributable to common equity holders of the parent by the weighted average number of common stock outstanding during the year plus the weighted average number of common stock that would be issued on conversion of all the dilutive potential common stock into common stock.

Instruments at the Company that could potentially dilute basic earnings per share include redeemable preferred shares, stock options, and warrants. For the years ended January 1, 2023 and December 26, 2021, the stock options and warrants are anti-dilutive in nature.

As part of the RTO transaction the issued and outstanding common and preferred shares were exchanged for subordinate and proportionate voting shares. Those common and preferred shared that were exchanged to subordinate voting shares were converted to 1.34303 subordinate shares at a ratio of 1 to 1. The remaining shares that were converted to proportionate voting shares were exchanged at the same rate of 1.34303 but each 1,000 shares converted into one proportionate voting share. The below table reflects these changes in both the current and prior year. Each of the proportionate voting shares is convertible into 1,000 subordinate voting shares at the option of the holder.

The calculation and presentation below is based on the number of shares outstanding at January 1, 2023, which is based on the legal amount of shares outstanding under each class without assuming conversion.

If the 91,067 proportionate voting shares outstanding were converted into subordinate voting shares, the numbers of subordinate voting shares issued would be 91,064,000.

Note 17. Earnings per share (EPS) (continued)

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	January 1, 2023		December 26, 2021	
	Subordinate Voting Shares	*Proportionate Voting Shares*	*Subordinate Voting Shares*	*Proportionate Voting Shares*
Loss attributable to common equity holders of the Company (Basic)	$ (4,415,968)	$ (7,261,263)	$ (42,824,341)	$ (11,609,850)
Weighted average number of common stock for basic EPS	55,380,678	91,064	30,536,265	8,279
Basic earnings per share	**$ (0.08)**	**$ (79.74)**	**$ (1.40)**	**$ (1,402.41)**
Loss attributable to common equity holders of the Company (Diluted)	$ (4,415,968)	$ (7,261,263)	$ (42,824,341)	$ (11,609,850)
Weighted average number of common stock for diluted EPS	55,380,678	91,064	30,536,265	8,279
Diluted earnings per share	**$ (0.08)**	**$ (79.74)**	**$ (1.40)**	**$ (1,402.41)**
Weighted average number of common stock for basic EPS				
Issued common stock at start of year	54,972,326	91,064	28,055,193	-
Effect of share options exercised	15,646	-	2,089	-
Effect of warrants exercised	-	-	51,786	-
Effect of convertible note conversion	-	-	2,583,881	-
Effect of preferred share conversion	-	-	6,104,677	-
Effect of RTO conversion	-	-	(8,278,503)	8,279
Effect of PIPE financing	-	-	767,142	-
Effect of Rise Capital shares conversion	-	-	1,250,000	-
Effect of Paintbox share issuance	397,247	-	-	-
Effect of NCIB purchases	(4,542)	-	-	-
Weighted average number of common stock end of year (basic)	**55,380,677**	**91,064**	**30,536,265**	**8,279**
Effects of dilution from:				
Effect of share options issued	-	-	-	-
Effect of conversion of redeemable preferred shares	-	-	-	-
Effect of contingently issuable shares	-	-	-	-
Weighted average number of common stock end of year (dilutive)	**55,380,677**	**91,064**	**30,536,265**	**8,279**

Note 18. Commitments and Contingencies

From time to time, the Company may be involved in legal actions arising in the ordinary course of business or, conditions may exist that may result in a loss but will only be resolved when one or more future events occur or fail to occur. Each of these actions or matters is assessed by the Company's management and legal counsel to evaluate the perceived merits of any proceeding or claim, as well as any relief sought or expected to be sought. Such assessment involves the exercise of judgment. The Company establishes accruals for losses that management deems to be probable and subject to reasonable estimates. If the assessment indicates that a potentially material loss contingency is not probable but reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. Loss contingencies considered remote are not disclosed.

The Company does not have any material commitments for future years, apart from leases (see Note 16).

Note 19. Profit Sharing Plan

The Company sponsors a qualified 401(k) profit sharing plan (the Plan) covering all eligible employees, as defined. The Company's contributions to the Plan are discretionary and are determined annually by the Board of Directors. There were no Company contributions to the Plan for the years ended January 1, 2023 or December 26, 2021.

Note 20. Fair Value Measurement

The Company measures its long-term investments and contingent consideration at fair value, which is at level 3. No other financial statement accounts are measured at fair value as their carrying amount approximates fair value. The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

	Fair Value Measurement Using				
	Date of Valuation	Total	Quoted priced in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Long term investment	January 1, 2023	$ 50,000	$ -	$ -	$ 50,000
	December 26, 2021	$ 50,000	$ -	$ -	$ 50,000
Liabilities measured at fair value					
Contingent consideration - Paintbox	January 1, 2023	$ 630,081	$ -	$ -	$ 630,081
	December 26, 2021	-	$ -	$ -	$ -

There were no transfers between Level 1 and Level 2 during 2022.

For calculation of the fair value of contingent consideration associated with the Paintbox acquisition, the Company used a Black-Scholes method for visualizing the consideration as a combination of embedded options. This model requires management to make assumptions which include cash flow forecasts, revenue growth rates, royalty rates, and discount rates and was built in conjunction with third party specialists.

Note 21. Risk Management

The Company's principal financial liabilities comprise of accounts payables and accrued expenses, lease liabilities, loan payable, and contingent consideration. The main purpose of these financial liabilities is to finance the Company's operations.

The Company is exposed to market risk, credit risk and liquidity risk. Risk management is carried out by senior finance executives ("Finance") under policies approved by the Board of Directors ("Board"). These policies include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and responds to financial risks within the Company's operating units. Finance reports to the Board on a monthly basis.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency

Note 21. Risk Management (continued)

risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and long term investments.

The Company does not note any interest rate, currency and or other price risk that would have a material effect on its financial statements, except for the fair value determination on its redeemable preferred shares. See Note 11 for details.

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is not materially exposed to credit risk from its operating activities and from its financing activities, since most of its revenue is generating at point-of-sale systems where cash is exchanged, or credit card payments are made. The Company's cash holdings and deposits are held in an A+ rating financial institution according to Standard & Poor's.

Liquidity Risk
Liquidity risk is risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash of another financial asset.

The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecasted cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

January 1, 2023

	Less Than One Year	1 to 5 Years	Greater Than 5 Years	Total
Accounts payable and accrued expenses	$ 2,638,163	$ -	$ -	$ 2,638,163
Lease liabilities	2,430,553	6,511,993	281,032	9,223,578
Loan Payable	-	2,469,980	-	2,469,980
	$ 5,068,716	$ 8,981,973	$ 281,032	$ 14,331,721

December 26, 2021

	Less Than One Year	1 to 5 Years	Greater Than 5 Years	Total
Accounts payable and accrued expenses	$ 3,575,416	$ -	$ -	$ 3,575,416
Lease liabilities	1,383,645	5,507,137	-	6,890,782
Loan Payable	(9,890)	2,469,981	-	2,460,091
	$ 4,949,171	$ 7,977,118	$ -	$ 12,926,289

Note 22. Related Party Transactions

Management compensation and balances outstanding as of period end dates are as follows:

	Transaction Value for the Year Ended	
	January 1, 2023	**December 26, 2021**
Key Management Personnel		
Short-term benefits	$ 1,202,776	$ 741,649
Share-based payments	76,334	160,814
Total	$ 1,279,110	$ 902,463

	Balance Outstanding as at	
	January 1, 2023	**December 26, 2021**
Key Management Personnel		
Share-based payments	$ 494,503	$ 296,241

Note 23. Standards Issued But Not Yet Effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning January 1, 2023:

- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current liabilities with Covenants (Amendments to IAS 1)

The Company is currently assessing the impact of these new accounting standards and amendments.

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the consolidated financial statements.

Note 24. Acquisition

On August 16, 2022, the Company acquired a majority of the assets of Paintbox LLC ("Paintbox") for total consideration of $1,730,081. Paintbox brings MiniLuxe their leading brand in premium nail art & design, proprietary IP in their iconic look-book, and 260K new social followers.

The following table summarizes the fair value of the consideration given and the fair values assigned to the assets acquired and liabilities assumed for the acquisition of Paintbox's assets. Goodwill arose in this acquisition as the transaction was determined to be a business combination in the scope of IFRS 3. The Company expects the entirety of the Goodwill acquired will be deductible for income tax purposes over a 15-year period.

Assets Acquired:	
Cash and cash equivalents	$14,873
Inventory	$242,562
Property, plant, and equipment	$797,656
Other assets	$28,567
Right of use assets	$1,079,885
Tradename	$948,000
	$3,119,543
Liabilities Assumed:	
Current liabilities	($561,648)
Lease liabilities	($1,079,885)
	($1,641,533)
Consideration	$1,730,081
Goodwill	$260,073

The consideration consists of the following components:

Base equity consideration	$1,100,000
Contingent consideration – Indemnity Holdback	$185,267
Contingent consideration – Gift card Holdback	$85,741
Contingent consideration – Earn-out	$359,073
	$1,730,081

The indemnity holdback is to be held back by the Company to offset any damages claimed against the Company during the first 18 months following the closing date. After this date the remaining balance of the holdback will be released and paid in shares of the Company. The fair value of the indemnity holdback at acquisition has been determined by calculating the present value of the amount using the Company's cost of debt over the 18-month holdback period. The fair value has been calculated as $185,267.

The gift card holdback is to be held back by the Company for a 3-year period from the date of acquisition. The Company will determine the gift card redemption amount which is calculated as the amount of gift cards redeemed after the closing date until the end of the 3-year period to the extent the amount redeemed exceeds $61,000. The difference between the gift card holdback and the gift card redemption amount will be released and paid in shares of the Company at the end of the 3-year period. The fair value of the gift card holdback at acquisition has been determined by calculating the present value of the amount using the Company's cost of debt over the 3-year holdback period using management's best estimate of the future gift card redemptions. The fair value has been calculated as $85,741.

Note 24. Acquisition (continued)

As part of the acquisition, there is an earn-out clause which becomes applicable if the Company has revenue above the earn-out thresholds. The earn-out period ends December 31, 2026. The amount of the earn-out is calculated as 0.115 multiplied by the amount by which the aggregate revenue earned from the closing date to the end of the earn-out period exceeds the earn-out threshold of $3,000,000. The amount of the earn-out will not exceed $1,800,000. The Company recorded the earn-out at fair value based on management's best estimate of future performance and will pay this out at the end of the earn-out period in shares of the Company. The earn-out has been recorded at fair value using the Company's pre tax cost of debt over the earn-out period. The fair value has been calculated as $359,073.

The main factors leading to the recognition of goodwill are the presence of certain intangibles assets which do not qualify for separate recognition and due to the fact that additional value is generated through the collective use of the acquired assets rather than individually.

As part of the acquisition of Paintbox, the Company also offered employment to certain existing Paintbox employees. These employees were offered two incentive programs as part of their employment agreement. The first will allow these employees to earn $117,112 in additional compensation to be paid in either cash or shares at the Company's discretion if they remain employed by the Company for a period of 3 years from the date of acquisition. The second will allow these employees to earn $117,000 in additional compensation to be paid in either cash or shares at the Company's discretion if they remain employed by the Company until December 31, 2026 and if certain performance milestones are met.

From the date of acquisition through January 1, 2023, Paintbox assets contributed $333,555 to the Company's revenues, and losses of $295,548 to net loss and comprehensive loss. During the year ended January 1, 2023, the combined entity generated $21,470,394 of revenue and $11,677,231 of loss to the net loss and comprehensive loss. If the acquisition had occurred on December 27, 2021, group revenue would have been $22,007,149, and group loss for the period would have been $12,025,963.

Total acquisition costs were $134,178 and are recognized in General & Administrative expenses.

Note 25. Subsequent Events

In January of 2023, the Company received a refundable payroll tax credit, the Employee Retention Credit, under the CARES Act in the amount of $3,158,548. This amount will be recognized by the Company in Q1 2023 as other income.