# MiniLuxe, Inc.

Financial Statements for the years ended
December 27, 2020, December 29, 2019,
and December 30, 2018

(Amounts expressed in United States Dollars)

**Contents**

# Independent Auditor's Report

Board of Directors
MiniLuxe, Inc.

**Report on the Financial Statements**
We have audited the accompanying financial statements of MiniLuxe, Inc. (the Company), which comprise the statements of financial position as of December 27, 2020, December 29, 2019, December 30, 2018 and January 1, 2018, the related statements of net profit or loss and comprehensive profit or loss, changes in shareholders' (deficit) equity and cash flows for the years ended December 27, 2020, December 29, 2019 and December 30, 2018, and the related notes to the financial statements (collectively, the financial statements).

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, together with the CPA Ontario Code of Professional Conduct, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

**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 International Financial Reporting Standards 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 do so.

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

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement when it exists. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We design audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation, structure, and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the consolidated audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of MiniLuxe, Inc. as of December 27, 2020, December 29, 2019, December 30, 2018 and January 1, 2018, and the financial performance and their cash flows for the years ended December 27, 2020, December 29, 2019 and December 30, 2018 in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

**Emphasis of Matter Regarding Going Concern**
The accompanying financial statements have been prepared assuming that MiniLuxe, Inc. will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring operating losses and operating cash flow deficits, has a working capital deficit, and material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Other Information**
Management is responsible for the other information. The other information comprises the 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSM US LLP

Boston, Massachusetts
November 9, 2021

**MiniLuxe, Inc.**

**Statements of Financial Position**
**December 27, 2020 with comparative information for December 29, 2019, December 30, 2018 and January 1, 2018**

| | Notes | December 27, 2020 | December 29, 2019 | December 30, 2018 | January 1, 2018 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | | $ 2,866,368 | $ 4,855,286 | $ 4,514,518 | $ 7,909,307 |
| Inventories | 8 | 1,496,530 | 716,544 | 422,833 | 268,187 |
| Prepaid expenses and other current assets | | 234,979 | 566,060 | 650,763 | 1,024,599 |
| **Total current assets** | | 4,597,877 | 6,137,890 | 5,588,114 | 9,202,093 |
| Non-current assets: | | | | | |
| Property and equipment, net | 9 | 8,173,270 | 10,074,308 | 11,931,330 | 12,813,324 |
| Deposits | | 280,067 | 288,243 | 282,049 | 291,049 |
| Right-of-use assets | 16 | 6,918,913 | 8,921,677 | 10,466,819 | 12,415,761 |
| **Total non-current assets** | | 15,372,250 | 19,284,228 | 22,680,198 | 25,520,134 |
| **Total assets** | | $ 19,970,127 | $ 25,422,118 | $ 28,268,312 | $ 34,722,227 |
| **Equity and Liabilities** | | | | | |
| Current liabilities: | | | | | |
| Loan payable | | $ - | $ 109,828 | $ - | $ - |
| Accounts payable and accrued expenses | 11 | 5,393,253 | 3,241,074 | 1,743,715 | 1,942,442 |
| Deferred revenue | 3, 4 | 1,161,284 | 1,227,609 | 1,344,084 | 998,767 |
| Current portion of convertible promissory notes | 11 | - | 10,950,000 | - | - |
| Current portion of lease liabilities | 16 | 1,393,646 | 1,620,596 | 1,325,597 | 1,145,253 |
| **Total current liabilities** | | 7,948,183 | 17,149,107 | 4,413,396 | 4,086,462 |
| Non-current liabilities: | | | | | |
| Lease liabilities | 16 | 7,688,707 | 8,739,660 | 9,975,973 | 11,301,570 |
| Convertible promissory notes | 11 | 13,275,000 | - | 4,100,000 | - |
| Redeemable Preferred Shares | 11 | 30,616,857 | 48,777,000 | 31,329,000 | 33,867,000 |
| **Total non-current liabilities** | | 51,580,564 | 57,516,660 | 45,404,973 | 45,168,570 |
| **Total liabilities** | | 59,528,747 | 74,665,767 | 49,818,369 | 49,255,032 |
| Shareholders' (deficit) equity: | | | | | |
| Common stock | 12 | 3,744,957 | 120,281 | 120,281 | 120,281 |
| Contributed Surplus | | 326,598 | 237,210 | 16,029 | 13,740 |
| Accumulated comprehensive loss | | (43,630,175) | (49,601,140) | (21,686,367) | (14,666,826) |
| **Total equity** | | (39,558,620) | (49,243,649) | (21,550,057) | (14,532,805) |
| **Total equity and liabilities** | | $ 19,970,127 | $ 25,422,118 | $ 28,268,312 | $ 34,722,227 |
| Going Concern | 2 | | | | |
| Commitments and contingencies | 18 | | | | |
| Subsequent events | 24 | | | | |

See notes to 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, Inc.**

**Statements of Net Profit or Loss and Comprehensive Profit or Loss**
**Years Ended December 27, 2020, December 29, 2019 and December 30, 2018**

| | Notes | December 27, 2020 | December 29, 2019 | 2018 |
|---|---|---|---|---|
| Revenue | 3 , 6 | $ 10,609,816 | $ 22,324,446 | $ 21,020,636 |
| Cost of sales | | 6,577,078 | 13,242,278 | 13,882,859 |
| **Gross profit** | | 4,032,738 | 9,082,168 | 7,137,777 |
| General and administrative expense | 13 | 10,089,995 | 13,549,799 | 10,823,058 |
| Depreciation and amortization expense | 9, 16 | 3,513,646 | 3,793,168 | 4,013,636 |
| **Operating loss** | | (9,570,903) | (8,260,799) | (7,698,917) |
| Finance costs | 16 | (2,931,092) | (2,157,186) | (1,810,794) |
| Finance income | | 16,197 | 251 | 6,973 |
| Other income | 10 | 3,964,638 | 1,547 | - |
| Change in fair value of redeemable preferred stock | 5, 11 | 14,539,685 | (17,448,000) | 2,538,000 |
| **Profit/(loss) before tax** | | 6,018,525 | (27,864,187) | (6,964,738) |
| Income tax expense | 15 | (47,560) | (50,586) | (54,803) |
| **Net profit/(loss) and comprehensive profit/(loss) for the year** | | $ 5,970,965 | $ (27,914,773) | $ (7,019,541) |
| **Net profit/(loss) and comprehensive profit/(loss) per share, basic** | | $ 0.69 | $ (37.39) | $ (9.40) |
| **Net profit/(loss) and comprehensive profit/(loss) per share, diluted** | | $ 0.07 | $ (37.39) | $ (9.40) |
| **Weighted average number of common shares outstanding, basic** | | 8,625,092 | 746,625 | 746,625 |
| **Weighted average number of common shares outstanding, diluted** | | 86,680,276 | 746,625 | 746,625 |

See notes to financial statements

MiniLuxe, Inc.

**Statements of Changes in Shareholders' (Deficit) Equity**
**Years Ended December 27, 2020, December 29, 2019 and December 30, 2018**

| | Notes | Common Stock Shares | Common Stock Amount | Contributed Surplus | Accumulated Comprehensive Loss | Total Shareholders' (Deficit) Equity |
|---|---|---|---|---|---|---|
| Balance at January 1, 2018 | | 938,823 | $ 120,281 | $ 13,740 | $ (14,666,826) | $ (14,532,805) |
| Share-based payments | 14 | - | - | 2,289 | - | 2,289 |
| Net comprehensive loss | | - | - | - | (7,019,541) | (7,019,541) |
| Balance at December 30, 2018 | | 938,823 | 120,281 | 16,029 | (21,686,367) | (21,550,057) |
| Share-based payments | 14 | - | - | 221,181 | - | 221,181 |
| Net comprehensive loss | | - | - | - | (27,914,773) | (27,914,773) |
| Balance at December 29, 2019 | | 938,823 | 120,281 | 237,210 | (49,601,140) | (49,243,649) |
| Issuance of common stock upon recapitalization | 11 | 19,931,727 | 3,622,123 | - | - | 3,622,123 |
| Exercise of stock options | | 18,877 | 2,553 | (870) | - | 1,683 |
| Share-based payments | 14 | - | - | 90,258 | - | 90,258 |
| Net comprehensive profit | | - | - | - | 5,970,965 | 5,970,965 |
| **Balance at December 27, 2020** | | **20,889,427** | **$ 3,744,957** | **$ 326,598** | **$ (43,630,175)** | **$ (39,558,620)** |

See notes to financial statements.

**MiniLuxe, Inc.**

**Statements of Cash Flows**
**Years Ended December 27, 2020, December 29, 2019 and December 30, 2018**

| | Notes | December 27, 2020 | December 29, 2019 | December 30, 2018 |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Net profit (loss) | | $ 5,970,965 | $ (27,914,773) | $ (7,019,541) |
| Adjustments to reconcile net profit (loss) to | | | | |
| net cash used in operating activities: | | | | |
| Non-cash items | | | | |
| Depreciation and amortization expense | 9, 16 | 3,513,646 | 3,793,168 | 4,013,636 |
| Share-based payments | 14 | 90,258 | 221,181 | 2,289 |
| Income tax expense | | 47,560 | 50,586 | 54,803 |
| Loss on disposal of property and equipment | 9 | 268,235 | 259,449 | - |
| Gain on modification of real estate leases | 16 | (69,218) | (1,547) | - |
| of | | | | |
| preferred shares | 5, 11 | - | 17,448,000 | (2,538,000) |
| Gain on extinguishment of redeemable preferred sh | 11 | (14,539,685) | - | - |
| Gain on forgiveness of PPP loan | 10 | (3,895,420) | - | - |
| Interest expense | 16 | 2,931,092 | 2,155,751 | 1,810,794 |
| Changes in operating assets and liabilities: | | | | |
| Inventories, net | 8 | (779,986) | (293,711) | (154,646) |
| Prepaid expenses and other current assets | | 331,081 | 84,703 | 373,836 |
| Deposits | | 8,176 | (6,194) | 9,000 |
| Accounts payable and accrued expenses | 11 | 296,928 | 912,011 | (234,127) |
| Deferred revenue | 3, 4 | (66,325) | (116,475) | 345,317 |
| | | (5,892,693) | (3,407,851) | (3,336,639) |
| Interest paid | | (964,672) | (1,581,591) | (1,754,030) |
| Taxes recovered / (paid) | | (33,362) | (39,398) | (76,167) |
| **Cash flows used in operating activities** | | (6,890,727) | (5,028,840) | (5,166,836) |
| Cash flows from investing activities: | | | | |
| Acquisition of equipment and equipment | 9 | (112,179) | (244,125) | (1,182,700) |
| **Cash flows used in investing activities** | | (112,179) | (244,125) | (1,182,700) |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of convertible promissory notes | 11 | 2,325,000 | 6,850,000 | 4,100,000 |
| Proceeds from loan payable | 11 | - | 150,000 | - |
| Proceeds from PPP loan | 10 | 3,895,420 | | |
| Issuance of common stock | 14 | 1,683 | - | - |
| Repayment of principal portion of lease liabilities | 16 | (1,098,287) | (1,346,095) | (1,145,253) |
| Repayment of loan payable | 11 | (109,828) | (40,172) | - |
| **Cash flows from financing activities** | | 5,013,988 | 5,613,733 | 2,954,747 |
| **Increase (decrease) in cash and cash equivalents** | | $ (1,988,918) | $ 340,768 | $ (3,394,789) |
| Cash and cash equivalents, beginning of year | | $ 4,855,286 | $ 4,514,518 | $ 7,909,307 |
| Cash and cash equivalents, end of year | | $ 2,866,368 | $ 4,855,286 | $ 4,514,518 |

See notes to financial statements.

## 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, MA 02109-1612.

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 two principal operating segments, 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 December 27, 2020 (referred to in these statements as 2020) includes 53 weeks, the year ended December 29, 2019 (referred to in these statements as 2019) includes 52 weeks, and the year ended December 30, 2018 (referred to in these statements as 2018) includes 52 weeks.

The financial statements of MiniLuxe, Inc. for the year ended December 27, 2020, December 29, 2019 and December 30, 2018 were authorized by the Company's board of directors on May 11, 2021.

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

## 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).

For all periods up to and including the year ended, December 29, 2019, the Company prepared its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company has prepared and presented its first IFRS financial statements for each of the fiscal years 2020, 2019 and 2018 along with opening balance sheet as at January 1, 2018 (date of transition to IFRS). Refer to Note 5 for information on the Company's first-time adoption under IFRS.

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.

### Going Concern

The Company has incurred recurring losses from operations and currently projects cash uses that exceed cash on hand and cash to be generated from operations over the 12 month period ending December 31, 2021, which necessitates the reliance on external funding at this stage in the growth cycle. Further, On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. As a result, the Company was required to temporarily close all studios in March 2020 which significantly impacted the Company's results of operations. The majority of studios reopened in a limited operating capacity in June 2020. The Company has taken some immediate steps to reduce operating costs and to conserve cash in light of the COVID-19 pandemic, including reductions in corporate overhead, deferred payment plans with major vendors, studio rent abatement and deferment, and receipt of the Paycheck Protection Program funding. The extent to which the coronavirus impacts the Company's results on an ongoing basis will depend on future developments, which are uncertain and cannot be predicted. However, the loosening of government restrictions and widespread vaccine distribution provides optimism for a robust return to growth.

### Note 2. Basis of Presentation (Continued)

The Company's recurring losses from operations have historically been a function of efforts to build and scale the business, as well as investing in a corporate infrastructure necessary to support future growth. The Company has convertible promissory notes due on April 30, 2022. As a result, the Company's viability relies on a strategy of raising additional capital to fund operations until the business becomes self-sustaining. As further described in Note 24, the Company raised $7,500,000 in a combination of convertible promissory notes and senior debt in April of 2021. The Company is also actively pursuing additional financing to fund further growth initiatives and provide sufficient working capital to bring the core operations to profitability and to satisfy the maturities of the convertible promissory notes. This additional financing may include future rounds of equity or debt financing from new or existing investors. There can be no assurances that the Company will be successful in completing these plans at acceptable terms, if at all.

Based on the above, Management has determined that substantial doubt exists about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

### 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 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:** 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 profit or loss and comprehensive profit or loss.

**Note 3. Summary of Significant Accounting Policies (Continued)**

**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.

For the purpose 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.

**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.

*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.

**Note 3. Summary of Significant Accounting Policies (Continued)**

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 shall be accounted for as lease modifications. A lessee that makes this election shall account 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:

(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 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
(c) there is no substantive change to other terms and conditions of the lease.

The Company records COVID-19 related rent concessions as variable lease payments or recoveries.

**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.

**Note 3. Summary of Significant Accounting Policies (Continued)**

**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, net of directly attributable transaction costs and are classified as amortized cost or fair value through profit or loss, as applicable.

The Company’s financial liabilities include accounts payable and accrued expenses, lease liabilities, loans payable, convertible promissory notes and redeemable preferred shares. Accounts payable and accrued expenses, lease liabilities, loans payable, and convertible promissory notes are subsequently measured at amortized cost. Redeemable preferred shares 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 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. The Company completed a recapitalization of its capital structure during the course of fiscal year 2020, which resulted in a gain on extinguishment of liability being recognized in the statement of net profit and loss and comprehensive profit and loss. See Note 11.

**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.

### Note 3. Summary of Significant Accounting Policies (Continued)

**Share capital:** Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

**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.

**Dividends:** Dividends are recognized when declared during the financial year and no longer at the discretion of the company. The Company does not have a history of paying dividends.

**Revenue recognition:** As discussed in Note 5, effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers using the modified retrospective method.

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.

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. 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. See accounting policy and estimation process related to gift card breakage in Note 4.

## Note 3. Summary of Significant Accounting Policies (Continued)

**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 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 versus 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.

**Note 3. Summary of Significant Accounting Policies (Continued)**

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.

**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 $99,535, $176,103, and $183,511 in the years ended December 31, 2020, December 29, 2019, and December 30, 2018, respectively, and these amounts have been included in revenue in the statements of net profit or loss and comprehensive profit or loss. Please see below for a summary of deferred revenue activity related to gift cards:

| | |
|---|---|
| Balance at January 1, 2018 | $ 986,997 |
| Gift Card Issuances | 1,589,149 |
| Gift Card Usage | (1,280,076) |
| Gift Card Breakage | (183,511) |
| Balance at December 30, 2018 | 1,112,559 |
| Gift Card Issuances | 1,498,511 |
| Gift Card Usage | (1,218,864) |
| Gift Card Breakage | (176,103) |
| Balance at December 29, 2019 | 1,216,103 |
| Gift Card Issuances | 593,282 |
| Gift Card Usage | (558,524) |
| Gift Card Breakage | (99,535) |
| Balance at December 27, 2020 | $ 1,151,326 |

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 a de minimis amount of deferred revenue related to loyalty programs and other miscellaneous advance receipts.

***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.

***Income taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Deferred tax assets are recognized for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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

***Fair value measurement hierarchy***
The consolidated entity 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.

***Evaluation of embedded derivative features within financial instruments***
Financial instruments are initially analyzed for classification as debt or equity or both as applicable. Such instruments 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. The determination of whether embedded features are closely related to the host instrument or are not closely related and require separation from the host if they meet the requirements of a derivative requires judgment. Management applies judgment in determining the fair value of any such identified embedded derivative features including the likelihood of events upon which derivative features are contingent.

***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 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. Management does not believe there is any permanent impairment to the company’s assets.

## Note 5. First-time adoption of IFRS (IFRS 1)

These financial statements, for the year ended December 27, 2020, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended December 29, 2019, the Company prepared its financial statements in accordance with U.S. GAAP.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at December 27, 2020, together with the comparative periods as described in the summary of significant accounting policies. In preparing the financial statements, the Company’s opening statement of financial position was prepared as at January 1, 2018. This note explains the principal adjustments made by the Company in restating its U.S. GAAP financial statements, including the statement of financial position as at January 1, 2018, December 30, 2018 and December 29, 2019, and total comprehensive profit or loss for the years ended December 30, 2018 and December 29, 2019.

**Note 5. First-time adoption of IFRS (IFRS 1) (Continued)**

**Exemptions:** IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following exemptions related to the adoption of IFRS 16, Leases:

- The Company assessed all contracts existing at January 1, 2018 to determine whether a contract contains a lease based upon the conditions in place as at January 1, 2018.

- The Company has elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2018. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately as of January 1, 2018. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

- The Company has elected to exclude any initial direct costs in the determination of the right-of-use asset at January 1, 2018.

- The Company has elected not to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

- The Company has elected not to separate non-lease components from lease components, for all classes of underlying assets.

**Note 5. First-time adoption of IFRS (IFRS 1) (Continued)**

**Estimates:** The estimates at January 1, 2018, December 30, 2018 and at December 29, 2019 are consistent with those made for the same dates in accordance with U.S. GAAP. The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions as of January 1, 2018, the date of transition to IFRS, and as of December 30, 2018 and December 29, 2019.

**Reconciliation of equity as at January 1, 2018 (date of transition to IFRS)**

| | Notes | U.S. GAAP | Reclassifications and Remeasurements | IFRS (January 1, 2018) |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | | $ 7,909,307 | $ - | $ 7,909,307 |
| Inventories | | 268,187 | - | 268,187 |
| Prepaid expenses and other current assets | | 1,024,599 | - | 1,024,599 |
| **Total current assets** | | 9,202,093 | - | 9,202,093 |
| Non-current assets: | | | | |
| Property and equipment, net | | 12,813,324 | - | 12,813,324 |
| Deposits | | 291,049 | - | 291,049 |
| Right-of-use assets | **A** | - | 12,415,761 | 12,415,761 |
| **Total non-current assets** | | 13,104,373 | 12,415,761 | 25,520,134 |
| **Total assets** | | $ 22,306,466 | $ 12,415,761 | $ 34,722,227 |
| **Equity and Liabilities** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | **A** | $ 1,973,504 | $ (31,062) | $ 1,942,442 |
| Deferred revenue | **C** | 1,404,019 | (405,252) | 998,767 |
| Current portion of lease liabilities | **A** | - | 1,145,253 | 1,145,253 |
| **Total current liabilities** | | 3,377,523 | 708,939 | 4,086,462 |
| Non-current liabilities: | | | | |
| Lease liabilities | **A** | - | 11,301,570 | 11,301,570 |
| Deferred rent, net of current portion | **A** | 1,926,782 | (1,926,782) | - |
| Redeemable Preferred Shares | **B** | 52,184,688 | (18,317,688) | 33,867,000 |
| **Total non-current liabilities** | | 54,111,470 | (8,942,900) | 45,168,570 |
| **Total liabilities** | | 57,488,993 | (8,233,961) | 49,255,032 |
| Shareholders' (deficit) equity: | | | | |
| Common stock | | 120,281 | - | 120,281 |
| Contributed Surplus | **D** | 7,951 | 5,789 | 13,740 |
| Accumulated comprehensive loss | **A, B, C, D** | (35,310,759) | 20,643,933 | (14,666,826) |
| **Total equity** | | (35,182,527) | 20,649,722 | (14,532,805) |
| **Total equity and liabilities** | | $ 22,306,466 | $ 12,415,761 | $ 34,722,227 |

## MiniLuxe, Inc.

## Notes to Financial Statements

### Note 5. First-time adoption of IFRS (IFRS 1) (Continued)

### Reconciliation of equity as at December 30, 2018

| | Notes | U.S. GAAP | Reclassifications and Remeasurements | IFRS (December 30, 2018) |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | | $ 4,514,518 | $ - | $ 4,514,518 |
| Inventories | | 422,833 | - | 422,833 |
| Prepaid expenses and other current assets | | 650,763 | - | 650,763 |
| **Total current assets** | | 5,588,114 | - | 5,588,114 |
| Non-current assets: | | | | |
| Property and equipment, net | | 11,931,330 | - | 11,931,330 |
| Deposits | | 282,049 | - | 282,049 |
| Right-of-use assets | **A** | - | 10,466,819 | 10,466,819 |
| **Total non-current assets** | | 12,213,379 | 10,466,819 | 22,680,198 |
| **Total assets** | | $ 17,801,493 | $ 10,466,819 | $ 28,268,312 |
| **Equity and Liabilities** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | | $ 1,743,715 | $ - | $ 1,743,715 |
| Deferred revenue | **C** | 1,805,700 | (461,616) | 1,344,084 |
| Deferred rent | **A** | 146,392 | (146,392) | - |
| Current portion of lease liabilities | **A** | - | 1,325,597 | 1,325,597 |
| **Total current liabilities** | | 3,695,807 | 717,589 | 4,413,396 |
| Non-current liabilities: | | | | |
| Lease liabilities | **A** | - | 9,975,973 | 9,975,973 |
| Deferred rent, net of current portion | **A** | 1,690,693 | (1,690,693) | - |
| Convertible promissory notes | | 4,100,000 | - | 4,100,000 |
| Redeemable Preferred Shares | **B** | 52,301,541 | (20,972,541) | 31,329,000 |
| **Total non-current liabilities** | | 58,092,234 | (12,687,261) | 45,404,973 |
| **Total liabilities** | | 61,788,041 | (11,969,672) | 49,818,369 |
| Shareholders' (deficit) equity: | | | | |
| Common stock | | 120,281 | - | 120,281 |
| Contributed Surplus | **D** | 13,359 | 2,670 | 16,029 |
| Accumulated comprehensive loss | **A, B, C, D** | (44,120,188) | 22,433,821 | (21,686,367) |
| **Total equity** | | (43,986,548) | 22,436,491 | (21,550,057) |
| **Total equity and liabilities** | | $ 17,801,493 | $ 10,466,819 | $ 28,268,312 |

## Note 5. First-time adoption of IFRS (IFRS 1) (Continued)

### Reconciliation of equity as at December 29, 2019

| | Notes | U.S. GAAP | Reclassifications and Remeasurements | IFRS (December 29, 2019) |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | | $ 4,855,286 | $ - | $ 4,855,286 |
| Inventories | | 716,544 | - | 716,544 |
| Prepaid expenses and other current assets | | 566,060 | - | 566,060 |
| **Total current assets** | | 6,137,890 | - | 6,137,890 |
| Non-current assets: | | | | |
| Property and equipment, net | | 10,074,308 | - | 10,074,308 |
| Deposits | | 288,243 | - | 288,243 |
| Right-of-use assets | **A** | - | 8,921,677 | 8,921,677 |
| **Total non-current assets** | | 10,362,551 | 8,921,677 | 19,284,228 |
| **Total assets** | | $ 16,500,441 | $ 8,921,677 | $ 25,422,118 |
| **Equity and Liabilities** | | | | |
| Current liabilities: | | | | |
| Loan payable | | $ 109,828 | $ - | $ 109,828 |
| Accounts payable and accrued expenses | | 3,241,074 | - | 3,241,074 |
| Deferred revenue | **C** | 1,228,487 | (878) | 1,227,609 |
| Deferred rent | **A** | 211,552 | (211,552) | - |
| Current portion of convertible promissory notes | | 10,950,000 | - | 10,950,000 |
| Current portion of lease liabilities | **A** | - | 1,620,596 | 1,620,596 |
| **Total current liabilities** | | 15,740,941 | 1,408,166 | 17,149,107 |
| Non-current liabilities: | | | | |
| Lease liabilities | **A** | - | 8,739,660 | 8,739,660 |
| Deferred rent, net of current portion | **A** | 1,562,138 | (1,562,138) | - |
| Redeemable Preferred Shares | **B** | 52,418,222 | (3,641,222) | 48,777,000 |
| **Total non-current liabilities** | | 53,980,360 | 3,536,300 | 57,516,660 |
| **Total liabilities** | | 69,721,301 | 4,944,466 | 74,665,767 |
| Shareholders' (deficit) equity: | | | | |
| Common stock | | 120,281 | - | 120,281 |
| Contributed Surplus | **D** | 102,951 | 134,259 | 237,210 |
| Accumulated comprehensive loss | **A, B, C, D** | (53,444,092) | 3,842,952 | (49,601,140) |
| **Total equity** | | (53,220,860) | 3,977,211 | (49,243,649) |
| **Total equity and liabilities** | | $ 16,500,441 | $ 8,921,677 | $ 25,422,118 |

## Note 5. First-time adoption of IFRS (IFRS 1) (Continued)

**Reconciliation of total comprehensive loss**
**Year Ended December 30, 2018**

| | Notes | U.S. GAAP | Remeasurements | IFRS (December 30, 2018) |
|---|---|---|---|---|
| Revenue | C | $ 20,964,272 | $ 56,364 | $ 21,020,636 |
| Cost of sales | | 13,882,859 | - | 13,882,859 |
| **Gross profit** | | 7,081,413 | 183,511 | 7,137,777 |
| General and administrative expense | A, D | 13,604,701 | (2,781,643) | 10,823,058 |
| Depreciation and amortization expense | A | 2,064,694 | 1,948,942 | 4,013,636 |
| **Operating loss** | | (8,587,982) | 1,016,212 | (7,698,917) |
| Finance costs | A | (56,764) | (1,754,030) | (1,810,794) |
| Finance income | | 6,973 | - | 6,973 |
| Change in fair value of redeemable preferred stock | B | - | 2,538,000 | 2,538,000 |
| **Loss before tax** | | (8,637,773) | 1,800,182 | (6,964,738) |
| Income tax expenses | | (54,803) | - | (54,803) |
| **Net loss and comprehensive loss for the year** | | $ (8,692,576) | $ 1,800,182 | $ (7,019,541) |

**Reconciliation of total comprehensive loss**
**Year Ended December 29, 2019**

| | Notes | U.S. GAAP | Remeasurements | IFRS (December 29, 2019) |
|---|---|---|---|---|
| Revenue | | $ 22,324,446 | $ - | $ 22,324,446 |
| Cost of sales | | 13,242,278 | - | 13,242,278 |
| **Gross profit** | | 9,082,168 | - | 9,082,168 |
| General and administrative expense | A, D | 16,282,501 | (2,732,702) | 13,549,799 |
| Depreciation and amortization expense | A | 1,841,698 | 1,951,470 | 3,793,168 |
| **Operating loss** | | (9,042,031) | 781,232 | (8,260,799) |
| Finance costs | A | (575,595) | (1,581,591) | (2,157,186) |
| Finance income | | 251 | - | 251 |
| Other income | A | - | 1,547 | 1,547 |
| Change in fair value of redeemable preferred stock | B | - | (17,448,000) | (17,448,000) |
| **Loss before tax** | | (9,617,375) | (18,246,812) | (27,864,187) |
| Income tax expenses | | (50,586) | - | (50,586) |
| **Net loss and comprehensive loss for the year** | | $ (9,667,961) | $ (18,246,812) | $ (27,914,773) |

Notes to the reconciliation of equity as of January 1, 2018, December 30, 2018, and December 29, 2019 and of total comprehensive loss for the years ended December 30, 2018 and December 29, 2019.

### Note 5. First-time adoption of IFRS (IFRS 1) (Continued)

**A Leases**
Under U.S. GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss and comprehensive profit or loss on a straight-line basis over the lease term. Under IFRS, as explained in Note 16, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the date of transition to IFRS, the Company applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the Company recognized an increase of $12,446,823 in lease liabilities, including accrued lease payments of $31,062 reclassified from accounts payable and accrued expenses and $12,415,761 of right-of-use assets, as at the date of transition. The difference between lease liabilities and right-of-use assets has been recognized in accumulated comprehensive loss. As a result of this IFRS conversion adjustment, depreciation expense increased by $1,948,942 (2019: $1,951,470) and finance costs increased by $1,754,030 (2019: $1,581,591), while general and administrative expense decreased by $2,778,524 (2019: $2,864,291) for the years ended December 30, 2018 and December 29, 2019. Additionally, the Company recorded a gain on modification of real estate leases within other income in the amount of $1,547 in the year ended December 29, 2019.

**B Preferred Shares**
The Company has issued preferred shares that have redemption and conversion to common stock features at the option of the holder. This financial instruments was classified as equity in U.S. GAAP. Under IFRS, the instruments is evaluated to be a compound financial instrument as it has debt and equity like features. The accounting for compound financial instrument in accordance with IFRS; requires separation of liability and equity components wherein the liability is measured at fair value, net of any transaction costs directly attributable to the issuance of instrument and any residual value of the instrument allocated to the equity component. The Company has measured the instrument at its fair value at each of the reporting dates and determined that such value in entirely attributable to the liability component. Thus, the preferred shares is classified as a liability and measured at fair value with changes in fair value recorded through income statement.

The fair value measurement of the Preferred Shares at January 1, 2018, December 30, 2018, and December 29, 2019 resulted in the recognition of a financial liability of $33,867,000, $31,329,000, and $48,777,000, respectively. The adjustments to net income for the years ended December 30, 2018 and December 29, 2019 were a gain of $2,538,000 and a loss of $17,448,000, respectively.

**C Revenue**
In October 2002, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (collectively, the boards) initiated a project to develop a single revenue standard containing comprehensive principles for recognizing revenue.

The FASB issued ASC 606, Revenue from Contracts with Customers, and ASC 340-40, Other Assets and Deferred Costs – Contracts with Customers, and the IASB issued IFRS 15, Revenue from Contracts with Customers (collectively, the revenue standard) in May 2014 along with consequential amendments with existing standards. With the exception of a few discrete areas, the revenue standard is converged, eliminating most differences between US GAAP and IFRS in accounting for revenue from contracts with customers.

**Note 5. First-time adoption of IFRS (IFRS 1) (Continued)**

Prior to the transition to IFRS, the Company adopted ASC 606 on December 30, 2018 using the modified retrospective method. Under this method, the standard is applied only to the most current period presented in the financial statements and only to contracts which are not completed as of December 31, 2018.

IFRS 1 requires application of uniform accounting policies for all the years presented. As the Company is presenting 3 years financial statements with opening balance sheet as at January 1, 2018, IFRS 15 is adopted as at January 1, 2018 using the modified retrospective method. Consistent with the Company's adoption of ASC 606, under this method IFRS 15 is applied only to the most current period presented in the financial statements and only to contracts which are not completed as of the adoption date.

Prior to the adoption of IFRS 15, for the year ended December 30, 2018 the Company recorded gift card breakage income when the assessment of likelihood of redemption of the cards became remote. Beginning in the fiscal year ended December 29, 2019, the Company began using historic gift card redemption patterns to determine the probability of a gift card's redemption and began recognizing gift card breakage revenue consistent with the probability determined based upon historic redemption patterns. While the approach used by the Company for the year ended December 29, 2019 was determined consistent with IFRS 15, the prior year ended December 30, 2018 was adjusted to also use a probability approach upon adoption of IFRS.

The cumulative effect of adopting IFRS 15 effective January 1, 2018, on the Company's balance sheet is as follows:

| | As of January 1, 2018 | | |
|---|---|---|---|
| | As Previously Reported | IFRS 15 Adjustments | As Adjusted |
| Liabilities: | | | |
| Deferred revenue | $ 1,404,019 | $ (405,252) | $ 998,767 |
| Stockholders' (deficit) equity: | | | |
| Accumulated deficit | $ (35,310,759) | $ 405,252 | $ (34,905,507) |

**D Share-based payments**

Under U.S. GAAP, the Company recognized share-based payments expense in a straight-line amortization pattern over the vesting term. This method is prohibited under IFRS 2- *Share based payments*, which requires an accelerated vesting recognition method for share-based payments expense for awards subject to graded vesting. As such, the fair value of awards subject to graded vesting have been remeasured separately for each vesting tranche.

At the date of transition to IFRS of January 1, 2018, an adjustment was recorded having the effect of increasing the accumulated deficit by $5,789 with the offset to contributed surplus. For the years ended December 29, 2019, and December 30, 2018, this adjustment resulted in an increase in share-based payments expense of $131,589 and a decrease of $3,119, respectively.

### Note 6. Segment information

IFRS 8 Operating Segments defines an operating segment as:

i) a component of an entity that engages in business activities from which it may earn revenues and incur expenses;
ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
iii) for which discrete financial information is available.

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).

| | December 27, 2020 | December 29, 2019 | December 30, 2018 |
|---|---|---|---|
| Talent revenue | $ 9,712,174 | $ 21,729,721 | $ 20,590,157 |
| Product revenue | 897,642 | 594,725 | 430,479 |
| | $ 10,609,816 | $ 22,324,446 | $ 21,020,636 |

### Note 7. Capital Management

For the purpose of the Company's capital management, capital includes common stock, redeemable preferred 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 debt, interest and non-interest bearing loans and borrowings, accounts payable and accrued expenses, less cash and short-term deposits.

| | December 27, 2020 | December 29, 2019 | December 30, 2018 | January 1, 2018 |
|---|---|---|---|---|
| Interest-bearing loans and borrowings: | | | | |
| Loan payable | $ - | $ 109,828 | $ - | $ - |
| Current portion of convertible promissory note | - | 10,950,000 | - | - |
| Convertible promissory notes | 13,275,000 | - | 4,100,000 | - |
| Current portion of lease liabilities | 1,393,646 | 1,620,596 | 1,325,597 | 1,145,253 |
| Lease liabilities | 7,688,707 | 8,739,660 | 9,975,973 | 11,301,570 |
| Non-interest-bearing loans and borrowings: | | | | |
| Redeemable preferred shares | 30,616,857 | 48,777,000 | 31,329,000 | 33,867,000 |
| Accounts payable and accrued expenses | 5,393,253 | 3,241,074 | 1,743,715 | 1,942,442 |
| Less cash and short-term deposits | (2,866,368) | (4,855,286) | (4,514,518) | (7,909,307) |
| Net debt | 55,501,095 | 68,582,872 | 43,959,767 | 40,346,958 |
| Equity | (39,558,620) | (49,243,649) | (21,550,057) | (14,532,805) |
| Total capital | (39,558,620) | (49,243,649) | (21,550,057) | (14,532,805) |
| Capital and net debt | $ 15,942,475 | $ 19,339,223 | $ 22,409,710 | $ 25,814,153 |

### Note 7. Capital Management (Continued)

No changes were made in the objectives, policies or processes for managing capital during the years ended December 27, 2020, December 29, 2019, or December 30, 2018.

### Note 8. Inventories

Inventory consisted of the following at December 27, 2020, December 29, 2019, December 30, 2018 and January 1, 2018:

| | December 27, 2020 | December 29, 2019 | December 30, 2018 | January 1, 2018 |
|---|---|---|---|---|
| Merchandise and retail products | $ 489,817 | $ 162,299 | $ 69,205 | $ 30,660 |
| Inventory supplies | 214,867 | 43,417 | 17,333 | 71,508 |
| Polish | 487,869 | 510,828 | 301,895 | 166,019 |
| Raw materials | 303,977 | - | 34,400 | - |
| Total inventories | $ 1,496,530 | $ 716,544 | $ 422,833 | $ 268,187 |
| Inventory write-downs | $ 146,368 | $ 10,974 | $ - | $ 40,112 |

There have been no reversals of inventory write-downs for the years ending December 27, 2020, December 29, 2019, and December 30, 2018.

## Note 9. Property and Equipment, Net

Property and equipment, net consists of the following at December 27, 2020, December 29, 2019, December 30, 2018 and January 1, 2018:

| | Furniture, Fixtures and Equipment | Leasehold Improvements | Total |
|---|---|---|---|
| **Cost** | | | |
| At January 1, 2018 | $ 1,895,611 | $ 15,699,317 | $ 17,594,928 |
| Additions | 68,805 | 1,113,895 | 1,182,700 |
| **At December 30, 2018** | 1,964,416 | 16,813,212 | 18,777,628 |
| Additions | 199,076 | 45,049 | 244,125 |
| Disposals | (30,641) | (571,748) | (602,389) |
| **At December 29, 2019** | 2,132,851 | 16,286,513 | 18,419,364 |
| Additions | 107,119 | 5,060 | 112,179 |
| Disposals | (217,826) | (813,227) | (1,031,053) |
| **At December 27, 2020** | $ 2,022,144 | $ 15,478,346 | $ 17,500,490 |
| **Depreciation** | | | |
| At January 1, 2018 | 1,121,593 | 3,660,011 | 4,781,604 |
| Depreciation charge for the year | 344,292 | 1,720,402 | 2,064,694 |
| **At December 30, 2018** | 1,465,885 | 5,380,413 | 6,846,298 |
| Depreciation charge for the year | 278,333 | 1,563,365 | 1,841,698 |
| Disposals | (20,400) | (322,540) | (342,940) |
| **At December 29, 2019** | 1,723,818 | 6,621,238 | 8,345,056 |
| Depreciation charge for the year | 238,236 | 1,506,746 | 1,744,982 |
| Disposals | (208,169) | (554,649) | (762,818) |
| **At December 27, 2020** | $ 1,753,885 | $ 7,573,335 | $ 9,327,220 |
| **Net book value** | | | |
| At January 1, 2018 | $ 774,018 | $ 12,039,306 | $ 12,813,324 |
| At December 30, 2018 | $ 498,531 | $ 11,432,799 | $ 11,931,330 |
| At December 29, 2019 | $ 409,033 | $ 9,665,275 | $ 10,074,308 |
| At December 27, 2020 | $ 268,259 | $ 7,905,011 | $ 8,173,270 |

### Note 10. Government Grants

In May 2020, the Company received a loan under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of $3,895,420 (the PPP Loan). The PPP Loan has a 2-year term and bears interest at an annual interest rate of 1%. Monthly principal and interest payments are deferred for 10 months, and the maturity date is May 4, 2022.

The Paycheck Protection Program is a business loan program established by the United States federal government under the CARES Act to help certain businesses and entities impacted by the COVID-19 pandemic continue paying employees and other specified business expenses.

PPP Loan recipients can apply for, and be granted forgiveness for, all or a portion of the PPP Loan and accrued interest. Such forgiveness will be determined, subject to limitations, based on the use of PPP Loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, and retention of employees and maintaining salary levels, during a 24-week forgiveness period subsequent to the funding of the loan. However, no assurance is provided that forgiveness for any portion of the PPP Loan will be obtained.

The Company believes the PPP Loan represents, in substance, a government grant that is expected to be forgiven, and chose to account for the loan in accordance with International Accounting Standard 20, Accounting for Government Grants and Disclosure of Government Assistance (“IAS 20”). IAS 20 provides a model for the accounting of different forms of government assistance, which includes forgivable loans. Under this model, government assistance is deferred until there is reasonable assurance that any conditions attached to the assistance will be met and the assistance will be received.

During the 24-week forgiveness period in 2020, the Company used the full amount received to fund expenses under the terms of the PPP Loan. As a result, we believe that we have met the PPP eligibility criteria for forgiveness and have concluded that the PPP Loan represents, in substance, funds provided under a government grant. As such, in accordance with IAS 20, the Company has recognized the $3,895,420 PPP Loan proceeds received during the year ended December 27, 2020 in other income on the statements of profit or loss and comprehensive profit or loss. The receipt of loan proceeds has been included as cash flows from financing activities in the statement of cash flows and the expected loan forgiveness has been included as a reconciling item within cash flows from operating activities.

The Company submitted an application for forgiveness of the PPP loan to the Small Business Administration (“SBA”) and believes there is reasonable assurance that the PPP Loan will be fully forgiven in accordance with the provisions of the CARES Act. The application for forgiveness has been approved by the PPP Loan lender, in December 2020, and is currently being reviewed by the SBA. We anticipate that the SBA will complete their review and make a final determination as to the amount of loan forgiveness in 2021. Should the SBA reject the Company’s application for forgiveness, the Company may be required to repay all or a portion of the funds received under the PPP Loan under an amortization schedule through May 2022 with an annual interest rate of 1%.

## Note 11. Financial Liabilities

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

**Financial Liabilities: Interest-bearing loans and borrowings**

| | Interest Rate | Maturity | December 27, 2020 | December 29, 2019 | December 30, 2018 | January 1, 2018 |
|---|---|---|---|---|---|---|
| **Current interest-bearing loans and borrowings** | | | | | | |
| Lease liabilities | 15% | 2021 | $ 1,393,646 | $ 1,620,596 | $ 1,325,597 | $ 1,145,253 |
| Loan payable | 3.5% | 2020 | - | 109,828 | - | - |
| Convertible promissory notes | 10% | 2022 | - | 10,950,000 | - | - |
| **Total current interest-bearing loans and borrowings** | | | 1,393,646 | 12,680,424 | 1,325,597 | 1,145,253 |
| **Non-current interest-bearing loans and borrowings** | | | | | | |
| Lease liabilities | 15% | 2022-2027 | 7,688,707 | 8,739,660 | 9,975,973 | 11,301,570 |
| Convertible promissory notes | 10% | 2022 | 13,275,000 | - | 4,100,000 | - |
| **Total non-current interest-bearing loans and borrowings** | | | 20,963,707 | 8,739,660 | 14,075,973 | 11,301,570 |
| **Total interest-bearing loans and borrowings** | | | 22,357,353 | 21,420,084 | 15,401,570 | 12,446,823 |
| **Other financial liabilities** | | | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | | | |
| Redeemable Preferred Stock | | | 30,616,857 | 48,777,000 | 31,329,000 | 33,867,000 |
| **Financial liabilities at amortized cost, other than interest-bearing loans and borrowings** | | | | | | |
| Accounts payable and accrued expenses | | | 5,393,253 | 3,241,074 | 1,743,715 | 1,942,442 |
| **Total other financial liabilities** | | | $ 36,010,110 | $52,018,074 | $33,072,715 | $35,809,442 |
| **Total current** | | | $ 6,786,899 | $15,921,498 | $ 3,069,312 | $ 3,087,695 |
| **Total non-current** | | | $ 51,580,564 | $57,516,660 | $45,404,973 | $45,168,570 |

**Loan payable:** In September 2019, the Company signed a business loan and security agreement, which provided the Company with a loan of $150,000 to be repaid through equal daily repayments for a period of one year. As of December 27, 2020 and December 29, 2019, the outstanding balance was $0 and $109,828, respectively.

**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. In November 2019, the Company amended the note purchase agreement to increase the aggregate principal amount available for issuance from $7,500,000 to $12,500,000. In March 2020, the Company amended the note purchase agreement, extending the maturity date from October 31, 2020, to April 30, 2022. In August 2020, the Company completed a recapitalization of its capital stock to facilitate future financings of the Company. As a result of the recapitalization, the November 2018 convertible note purchase agreement and the March 2020 convertible note purchase agreements discussed below were amended, which had the effect of changing the instruments to which the notes were convertible from Series C-3 preferred shares to Series B preferred shares, which carry the same rights but now carry different values, as the value per share increased in line with the decrease in outstanding shares. The conversion prices below reflect the recapitalization.

**Note 11. Financial Liabilities (Continued)**

The notes earn interest at a rate of 10% per year. Each note will mature 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 occurs before maturity, the convertible promissory notes and accrued interest are 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 qualifying financing, as defined in the agreements. Upon a liquidation event (defined in the agreements), the Company is 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.

In March 2020, the Company's Board of Directors approved the issuance of new convertible promissory notes in the aggregate principal amount of up to $7,500,000. Subsequently, the Company entered into convertible note purchase agreements with investors in the principal amount of $2,325,000. The terms of these new convertible note purchase agreements are in line with those disclosed above. The notes earn interest at a rate of 10% per year. Each note will mature 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 occurs before maturity, the convertible promissory notes and accrued interest are 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 is 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.

Interest expense on these outstanding promissory notes during the years ended December 27, 2020, December 29, 2019, and December 30, 2018, amounted to $1,279,307, $574,160 and $56,764, respectively. As of December 27, 2020, December 29, 2019, December 30, 2018, and January 1, 2018, the Company recorded accrued interest of $1,910,231, $630,924, $56,764 and $0, respectively, in accounts payable and accrued expenses on the statements of financial position.

### Note 11. Financial Liabilities (Continued)

**Redeemable preferred stock:** Since inception, the Company has been funded through several private placements of redeemable preferred shares. As of December 29, 2019, December 30, 2018 and January 1, 2018, the Company's Articles of Incorporation (Articles), as amended, authorize the issuance of 99,108,508 shares of redeemable preferred shares with a par value of $0.001 per share. Of these authorized shares, 23,056,511 shares have been designated Series C-3 Convertible Preferred shares (Series C-3 Preferred shares), 8,057,215 shares have been designated Series C-2 Convertible Preferred shares (Series C-2 Preferred shares), 10,905,592 shares have been designated Series C-1 Convertible Preferred shares (Series C-1 Preferred shares), 35,000,674 shares have been designated Series C Convertible Preferred shares (Series C Preferred shares), 5,500,116 shares have been designated Series B-1 Convertible Preferred shares (Series B-1 Preferred shares), 6,588,400 shares have been designated Series B Convertible Preferred shares (Series B Preferred shares), and 10,000,000 shares have been designated Series A Convertible Preferred shares (Series A Preferred shares).

In August 2020, the Company completed a recapitalization of its capital stock to facilitate future financings of the Company. The Company's Articles were amended and restated to establish new series of Preferred shares (together, New Preferred shares), listed in increasing levels of seniority in liquidation: Series Seed Preferred shares, Series A Preferred shares (New Series A Preferred shares), and Series B Preferred shares (New Series B Preferred shares). Based on the newly established series of New Preferred shares, the following activity took place: each share of the original Common Stock was converted and reclassified into 0.79527775 shares of Common stock; each share of the original Series A Convertible Preferred shares was converted and reclassified into 0.79527780 shares of Common Stock; each share of the original Series B Convertible Preferred shares was converted and reclassified into 0.51523511 shares of Series Seed Preferred shares and 0.28004265 shares of Common Stock; each share of the original Series B-1 Convertible Preferred shares was converted and reclassified into 0.5667896 shares of Series Seed Preferred shares and 0.22851882 shares of Common Stock; each share of the original Series C Convertible Preferred shares was converted and reclassified into 0.63733604 shares of New Series A Preferred shares and 0.15794173 shares of Common Stock; each share of original Series C-1 Convertible Preferred shares was converted and reclassified into 0.66700460 shares of New Series B Preferred shares and 0.12827318 shares of Common Stock; each share of original Series C-2 Convertible Preferred shares was converted and reclassified to 0.82064304 shares of New Series B Preferred shares and 0.0541675 shares of Common Stock; and each share of original Series C-3 Convertible Preferred shares was converted and reclassified into 0.82064304 shares of New Series B Preferred shares and 0.13369011 shares of Common Stock.

As of December 27, 2020, the Company's Articles of Incorporation (Articles), as amended, authorize the issuance of 88,698,000 shares of redeemable preferred shares with a par value of $0.001 per share. Of these authorized shares, 6,512,000 shares have been designated Series Seed Preferred shares, 22,308,000 shares have been designated New Series A Preferred shares, and 60,878,000 shares have been designated New Series B Preferred shares.

**Note 11. Financial Liabilities (Continued)**

Preferred shares are considered to be 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. The recapitalization event in 2020 resulted in issuance of new redeemable preferred shares (New Series A, New Series B and Series Seed) and common stock in return of termination of the old redeemable preferred shares. This transaction is recognized as extinguishment of debt (as redeemable preferred shares are considered as financial liabilities), with a gain recognized in the amount of $14,539,685 on such extinguishment recorded in the statement of profit or loss and comprehensive profit or loss for the year ended December 27, 2020.

The fair value of redeemable preferred shares was measured with the following assumptions:

| | December 27, 2020 | December 29, 2019 | December 30, 2018 | January 1, 2018 |
|---|---|---|---|---|
| Equity value (000s) | 31,861 to 43,145 | 42,969 to 56,448 | 27,488 to 35,385 | 30,192 to 37,739 |
| Volatility | 60% | 45% | 40% | 30% |
| Term | 4.00 | 4.00 | 4.00 | 4.00 |
| Risk-free Interest rate | 0.27% | 1.64% | 2.53% | 2.09% |
| Dividend | - | - | - | - |

The fair value of the Redeemable Preferred Shares is measured based on valuation models. Measurement inputs include enterprise equity value on measurement date, expected volatility, expected life of the instrument, the risk-free interest rate, and expected dividends. No active market exists for the Company's common shares. For this reason, the Company considers 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.

**Accounts payable and accrued expenses**

| | December 27, 2020 | December 29, 2019 | December 30, 2018 | January 1, 2018 |
|---|---|---|---|---|
| Accounts payable | $ 1,458,290 | $ 547,178 | $ 246,192 | $ 847,707 |
| Other payables and accrued expenses | 1,662,628 | 2,037,254 | 1,418,567 | 1,068,377 |
| Interest payable | 1,938,565 | 630,924 | 56,764 | - |
| Variable rent | 333,770 | 25,718 | 22,192 | 26,358 |
| | $ 5,393,253 | $ 3,241,074 | $ 1,743,715 | $ 1,942,442 |

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 12. Share Capital

**Common stock:** As of December 29, 2019, December 30, 2018 and January 1, 2018, the Company authorized 105,000,000 shares of common stock (Common Stock) with a par value of $0.001 per share. The holders of Common Stock are entitled to vote on all matters and are entitled to the number of votes equal to the number shares of Common Stock held. As of December 29, 2019, December 30, 2018 and January 1, 2018, there were 938,823 shares of Common stock outstanding.

As of December 27, 2020, the Company has authorized 114,702,000 shares of common stock with a par value of $0.001 per share. The holders of Common Stock are entitled to vote on all matters and are entitled to the number of votes equal to the number shares of Common Stock held. As of December 27, 2020, there were 20,889,476 shares of Common stock outstanding. The balance of share capital is comprised of $3,744,957 of par value common stock, while the remaining $326,598 of the balance is contributed surplus.

### Note 13. General and Administrative Expenses

General and administrative expenses are comprised of the following:

| | Year ended December 27, 2020 | Year ended December 29, 2019 | Year ended December 30, 2018 |
|---|---|---|---|
| Salaries, wages and employee benefits | $ 5,012,933 | $ 6,782,047 | $ 5,291,720 |
| Marketing and selling expenses | 626,236 | 451,772 | 259,491 |
| Variable rent | 856,103 | 1,017,785 | 1,088,871 |
| Professional fees | 567,897 | 474,483 | 1,157,249 |
| IT related costs | 492,371 | 770,280 | 505,843 |
| Warehouse | 368,649 | 234,670 | 31,027 |
| Bank and credit card fees | 358,092 | 657,347 | 645,120 |
| Operating supplies | 333,759 | 585,520 | 525,180 |
| HR, payroll and recruiting fees | 280,507 | 393,340 | 146,356 |
| Loss on disposal of property and equipment | 268,235 | 254,003 | - |
| Repairs and maintenance | 252,025 | 452,822 | 340,529 |
| Insurance, permits and fines | 194,043 | 413,488 | 390,315 |
| Equipment | 166,935 | 255,820 | - |
| Travel, meals and entertainment | 157,997 | 385,053 | 357,951 |
| Stock compensation | 90,258 | 221,550 | 2,290 |
| Other expenses | 63,955 | 199,819 | 81,116 |
| Total general and administrative expense | $ 10,089,995 | $ 13,549,799 | $ 10,823,058 |

### Note 14. Share-based payments

In March 2019, the Board of Directors approved the 2019 Stock Plan. Under the terms of the 2019 Stock Plan, incentive stock options may be granted to officers and employees and nonqualified stock options and awards may be granted to directors, consultants, officers and employees of the Company. The exercise price of incentive stock options cannot be less than the fair market value of the Company's common shares on the date of grant. The options vest over a period determined by the Board, generally four years, and expire not more than 10 years from the date of grant. The terms of the 2008 Stock Plan were consistent with the terms of the 2019 Stock Plan.

**Note 14. Share-based payments (Continued)**

In August 2020, the Company completed a recapitalization of its capital stock to simplify the Company's capital structure. As a result of this recapitalization, each stock option award was converted and reclassified into 0.79527775 shares of stock options while the price of common stock and exercise price were increased by the inverse ratio and therefore the recapitalization resulted in no change to the fair value of stock options outstanding. Please refer to Financial Liabilities Note 11 for additional information on the recapitalization. All share numbers and prices below reflect the August 2020 recapitalization.

A total of 3,680,750, 3,489,488, and 0, shares were authorized for issuance under the 2019 Stock Plan at December 27, 2020, December 29, 2019, and December 30, 2018, respectively. Options to purchase 1,373,262, 1,182,000 and 0, shares of Common Stock were available for issuance under the 2019 Stock Plan as of December 27, 2020, December 29, 2019, and December 30, 2018, respectively.

Stock option activity under the 2019 Stock Plan during the fiscal years ended December 27, 2020, December 29, 2019, and December 30, 2018, is as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Contractual Life (In Years) |
|---|---|---|---|
| Outstanding at January 1, 2018 | 1,063,168 | $ 0.24 | 7.6 |
| Forfeited | (788,712) | 0.26 | - |
| Outstanding at December 30, 2018 | 274,456 | $ 0.18 | 6.0 |
| Granted | 2,348,176 | 0.29 | - |
| Forfeited | (14,633) | 0.29 | - |
| Outstanding at December 29, 2019 | 2,607,999 | $ 0.28 | 8.8 |
| Forfeited | (217,702) | 0.21 | - |
| Exercised | (18,877) | 0.09 | - |
| Outstanding at December 27, 2020 | 2,371,420 | $ 0.29 | 8.1 |
| Options exercisable at December 27, 2020 | 991,225 | $ 0.23 | 7.9 |

The weighted-average fair value of stock options granted during the year ended December 29, 2019 under the Black-Scholes option-pricing model was $0.15 per share. There were no stock options granted in the years ended December 27, 2020, and December 30, 2018.

In the year ended December 27, 2020, 18,877 stock options were exercised. There were no stock options exercised in the years ended December 29, 2019, and December 30, 2018.

The Company recognized $90,258, $221,181 and $2,289 in stock-based compensation expense for the years ended December 27, 2020, December 29, 2019, and December 30, 2018, respectively. As of December 27, 2020, there was approximately $63,273 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 1.9 years.

### Note 14. Share-based payments (Continued)

The fair value of stock options granted was measured with the following assumptions for the year ended December 29, 2019:

| | | |
|---|---|---|
| Exercise Price | $ | 0.29 |
| Share Price | $ | 0.29 |
| Expected volatility | | 53.4% |
| Expected option life | | 6.2 |
| Expected dividend yield | | 0.0% |
| Risk-free interest rate | | 2.2% |

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). No active market exists for the Company's common shares. For this reason, the Company considers 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.

As of December 27, 2020, the weighted average remaining contractual life of the outstanding options is 8.1 years (2019 - 8.8 years and 2018 - 6.0 years).

The Company issued warrants to a service provider in 2019 to purchase 206,772 shares of Common Stock at an exercise price per share of $0.29. The warrants are classified as equity and are exercisable at the option of the holder at any time prior to its termination in March 2029. The Company recorded $31,200 of stock-based compensation expense for the year ended December 29, 2019, with an offset recorded to contributed surplus.

### Note 15. Income Taxes

Reconciliation of tax expense and the accounting profit multiplied by the Company’s domestic tax rate for 2020, 2019 and 2018:

| | December 27, 2020 | December 29, 2019 | December 30, 2018 |
|---|---|---|---|
| Accounting profit (loss) before tax | $ 6,808,552 | $ (27,864,187) | $ (6,964,738) |
| At statutory income tax rate of 21% | 1,429,796 | (5,851,479) | (1,462,595) |
| State tax | 344,190 | (1,432,629) | (341,783) |
| Other True Up/Provision to return | 287,030 | - | - |
| Non-deductible expenses for tax purposes: | | | |
| Preferred Stock valuation | (3,780,318) | 4,704,003 | (659,880) |
| PPP loan | (1,019,388) | - | - |
| Other non-deductible expenses | 4,411 | 32,284 | 14,404 |
| Unrecognized deferred tax asset | 2,781,838 | 2,598,407 | 2,504,656 |
| Income tax expense reported in the statement of profit or loss | $ 47,560 | $ 50,586 | $ 54,803 |

### Note 15. Income Taxes (Continued)

Deferred tax relates to the following:

| | December 27, 2020 | December 29, 2019 | December 30, 2018 | January 1, 2018 |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Net operating loss carryforwards | $ 53,124,546 | $ 43,309,634 | $ 35,080,892 | $ 27,433,264 |
| Depreciation | 5,080,173 | 4,656,248 | 3,974,865 | 2,473,650 |
| Finance Costs | 2,200,201 | 1,782,898 | 1,114,191 | - |
| Other | 73,777 | 51,877 | 47,174 | 45,620 |
| Total gross deferred tax assets | 60,478,697 | 49,800,657 | 40,217,122 | 29,952,534 |
| Deferred tax liabilities: | | | | |
| Accruals | (2,148,918) | - | - | - |
| Total gross deferred tax liabilities | (2,148,918) | - | - | - |
| Net deferred tax asset | 15,197,977 | 13,047,365 | 10,510,128 | 8,334,173 |
| Unrecognized deferred tax asset | (15,197,977) | (13,047,365) | (10,510,128) | (8,334,173) |
| Net deferred tax asset | $ - | $ - | $ - | $ - |

The Company has total net operating tax losses in the United States of America of $53,124,546 as of December 27, 2020. Of the total losses, $24,791,340 are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. The remaining losses expire through 2037.

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 Group 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.

## Note 16. Leases (Continued)

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 January 1, 2018** | $ 12,365,437 | $ 50,324 | $ 12,415,761 |
| Depreciation expense | (1,937,316) | (11,626) | (1,948,942) |
| **As at December 31, 2018** | $ 10,428,121 | $ 38,698 | $ 10,466,819 |
| Additions | 25,472 | - | 25,472 |
| Modifications | 380,856 | - | 380,856 |
| Depreciation expense | (1,939,844) | (11,626) | (1,951,470) |
| **As at December 31, 2019** | $ 8,894,605 | $ 27,072 | $ 8,921,677 |
| Modifications | (218,654) | - | $ (218,654) |
| Depreciation expense | (1,757,038) | (11,626) | $ (1,768,664) |
| **As at December 31, 2020** | $ 6,918,913 | $ 15,446 | $ 6,934,359 |

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance as of beginning of the year | $ 10,360,256 | $ 11,301,570 | $ 12,446,823 |
| Additions | - | 25,472 | - |
| Modifications | (301,771) | 379,309 | - |
| Accretion of interest | 1,644,767 | 1,581,591 | 1,754,030 |
| Payments | (2,620,900) | (2,927,686) | (2,899,283) |
| Balance as of end of the year | $ 9,082,352 | $ 10,360,256 | $ 11,301,570 |
| Current | $ 1,393,646 | $ 1,620,596 | $ 1,325,597 |
| Non-Current | $ 7,688,707 | $ 8,739,660 | $ 9,975,973 |

The following are the amounts recognized in profit or loss:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Depreciation expense of right-of-use assets | $ 1,768,664 | $ 1,951,470 | $ 1,948,942 |
| Interest expense on lease liabilities | 1,644,767 | 1,581,591 | 1,754,030 |
| Expense relating to short-term leases | - | 19,663 | 19,655 |
| Expense relating to leases of low-value assets | 95,685 | 59,874 | 46,947 |
| Variable rent | 589,686 | 1,017,785 | 1,088,871 |
| Total amount recognized in comprehensive loss | $ 4,098,802 | $ 4,630,383 | $ 4,858,445 |

### Note 16. Leases (Continued)

The Company recorded a gain on modification of real estate leases within other income in the amount of $0 and $1,547 in the years ended December 27, 2020 and December 29, 2019, respectively. Separately, a gain on termination of real estate leases was recorded within other income during the year ended December 27, 2020 in the amount of $69,218.

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Fixed rent | $ 2,620,900 | $ 2,927,686 | $ 2,899,283 |
| Variable rent only | 281,634 | 1,014,259 | 1,093,037 |
| | $ 2,902,534 | $ 3,941,945 | $ 3,992,320 |

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.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

| | Within Five Years | More Than Five Years | Total |
|---|---|---|---|
| Extension options expected not to be exercised | $ 1,350,327 | $ 6,573,777 | $ 7,924,104 |

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

Basic EPS is calculated by dividing the profit for the year attributable to common equity holders of the parent by the weighted average number of common stock outstanding during the year. 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 ending December 29, 2019 and December 30, 2018, these instruments are anti-dilutive in nature. For the year ending December 27, 2020, the stock options and warrants are anti-dilutive in nature.

## Note 17. Earnings per share (EPS) (Continued)

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

| | December 27, 2020 | December 29, 2019 | December 30, 2018 |
|---|---|---|---|
| **Profit (loss) attributable to common equity holders of the Company** | $ 5,970,965 | $ (27,914,773) | $ (7,019,541) |
| Weighted average number of common stock for basic EPS | 8,625,092 | 746,625 | 746,625 |
| **Basic earnings per share** | $ 0.69 | $ (37.39) | $ (9.40) |
| **Profit (loss) attributable to common equity holders of the Company (Dilu** | $ 5,970,965 | $ (27,914,773) | $ (7,019,541) |
| Weighted average number of common stock for diluted EPS | 86,680,275 | 746,625 | 746,625 |
| **Diluted earnings per share** | **$ 0.07** | **$ (37.39)** | **$ (9.40)** |
| **Weighted average number of common stock for basic EPS** | | | |
| **Issued common stock at start of year** | 938,823 | 938,823 | 938,823 |
| Effect of share options exercised | 6,278 | - | - |
| Effect of shares issues related to recapitalization | 7,679,990 | (192,198) | (192,198) |
| **Weighted average number of common stock end of year (basic)** | **8,625,091** | **746,625** | **746,625** |
| Effects of dilution from: | | | |
| Effect of share options issued | 52,199 | - | - |
| Effect of conversion of redeemable preferred shares | 78,002,985 | - | - |
| **Weighted average number of common stock end of year (dilutive)** | **86,680,275** | **746,625** | **746,625** |

The calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively for the recapitalization that occurred on August 18, 2020. There have been no other transactions involving common stock or potential common stock between the reporting date and the date of authorization of these financial statements.

## 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 December 27, 2020, December 29, 2019 and December 30, 2018.

## Note 20. Fair Value Measurement

The Company measures its redeemable preferred shares 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 hierarchy for assets as at December 27, 2020:**

| | | | 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) |
| **Liabilities measured at fair value:** | | | | | |
| Non-interest bearing loans and borrowings: | | | | | |
| Redeemable Preferred Shares | December 27, 2020 | $ 30,616,857 | $ - | $ - | $ 30,616,857 |

There were no transfers between Level 1 and Level 2 during 2020.

**Fair value measurement hierarchy for assets as at December 29, 2019**

| | | | 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) |
| **Liabilities measured at fair value:** | | | | | |
| Non-interest bearing loans and borrowings: | | | | | |
| Redeemable Preferred Shares | December 29, 2019 | $ 48,777,000 | - | - | $ 48,777,000 |

There were no transfers between Level 1 and Level 2 during 2019.

**Fair value measurement hierarchy for assets as at December 30, 2018**

| | | | 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) |
| **Liabilities measured at fair value:** | | | | | |
| Non-interest bearing loans and borrowings: | | | | | |
| Redeemable Preferred Shares | December 30, 2018 | $ 31,329,000 | - | - | $ 31,329,000 |

There were no transfers between Level 1 and Level 2 during 2018.

**Fair value measurement hierarchy for assets as at January 1, 2018**

| | | | 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) |
| **Liabilities measured at fair value:** | | | | | |
| Non-interest bearing loans and borrowings: | | | | | |
| Redeemable Preferred Shares | January 1, 2018 | $ 33,867,000 | - | - | $ 33,867,000 |

## Note 20. Fair Value Measurement (Continued)

**Description of significant unobservable inputs to valuation:**
The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 27 2020, December 29 2019, December 30, 2018, and January 1, 2018 are shown below:

| | Valuation Technique | Significant unobservable inputs | Range/point estimate (weighted average) | Sensitivity of the input to fair value |
|---|---|---|---|---|
| Redeemable preferred shares | Option Pricing Model | Equity value | 12/27/2020: $31.861mm - $43.145mm ($37.503mm)<br>12/29/2019: $42.969mm - $56.448mm ($49.709mm)<br>12/30/2018: $27.488mm - $35.385mm ($31.437mm)<br>1/01/2018: $30.192mm - $37.739mm ($33.965mm) | A 10% increase in equity value would result in an increase in the fair value of the redeemable preferred shares of $3,987,000, $6,472,000, $3,909,000, and $3,728,000, at December 27, 2020, December 29, 2019, December 30, 2018, and January 1, 2018, respectively. A 10% decrease in equity value would result in an decrease in the fair value of the redeemable preferred shares of $4,061,000, $6,495,000, $3,915,000, $3,737,000 at December 27, 2020, December 29, 2019, December 30, 2018, and January 1, 2018, respectively. |
| | | Volatility (based upon guideline public companies) | 12/27/2020: 55.0% - 65.0% (60.0%)<br>12/29/2019: 40.0% - 50.0% (45.0%)<br>12/30/2018: 35.0% - 45.0% (40.0%)<br>1/01/2018: 25.0% - 35.0% (30.0%) | A 5% increase in volatility would result in an decrease in the fair value of the redeemable preferred shares of $379,000, $104,000, $29,000, and $50,000 at December 27, 2020, December 29, 2019, December 30, 2018, and January 1, 2018, respectively. A 5% decrease in volatility would result in an increase in the fair value of the redeemable preferred shares of $412,000, $113,000, $29,000, and $46,000 at December 27, 2020, December 29, 2019, December 30, 2018, and January 1, 2018, respectively. |

## Note 21. Risk Management

The Company’s principal financial liabilities comprise of accounts payables and accrued expenses, redeemable preferred shares, convertible promissory notes and lease liabilities. 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 risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings.

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.

**Note 21. Risk Management (Continued)**

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:

**December 27, 2020**

| | Less Than One Year | 1 to 5 Years | Greater Than 5 Years | Total |
|---|---|---|---|---|
| Accounts payable and accrued expenses | $ 5,393,253 | $ - | $ - | $ 5,393,253 |
| Lease liabilities | 1,393,646 | 7,688,707 | 1,503,413 | 10,585,766 |
| Redeemable Preferred Shares* | - | - | - | - |
| Convertible promissory notes | - | 16,991,049 | - | 16,991,049 |
| | $ 6,786,899 | $24,679,756 | $ 1,503,413 | $32,970,068 |

**December 29, 2019**

| | Less Than One Year | 1 to 5 Years | Greater Than 5 Years | Total |
|---|---|---|---|---|
| Bank loan payable | $ - | $ 109,828 | $ - | $ 109,828 |
| Accounts payable and accrued expenses | 3,241,074 | - | - | 3,241,074 |
| Lease liabilities | 3,030,337 | 9,373,428 | 3,042,903 | 15,446,668 |
| Redeemable Preferred Shares* | - | - | - | - |
| Convertible promissory notes | 12,514,326 | - | - | 12,514,326 |
| | $18,785,737 | $ 9,483,256 | $ 3,042,903 | $31,311,896 |

**December 30, 2018**

| | Less Than One Year | 1 to 5 Years | Greater Than 5 Years | Total |
|---|---|---|---|---|
| Accounts payable and accrued expenses | $ 1,743,715 | $ - | $ - | $ 1,743,715 |
| Lease liabilities | 2,896,676 | 10,092,779 | 4,849,891 | 17,839,346 |
| Redeemable Preferred Shares* | - | - | - | - |
| Convertible promissory notes | - | 4,921,611 | - | 4,921,611 |
| | $ 4,640,391 | $15,014,390 | $ 4,849,891 | $24,504,672 |

* Redeemable preferred share values have not been included in the table above as the redemption option is at the option of the holders for a two year period beginning on December 31, 2022; however, the redeemable preferred shares may also be redeemed for common stock at a fixed conversion price in accordance with the terms of the agreement. Therefore, the event of a cash contractual obligation is uncertain and thus the potential cash payment option is not included within the table presented above.

### Note 22. Related Party Transactions

The Company incurs costs throughout the year related to general management services performed on its behalf by the management company of its majority shareholder, The Cue Ball Group, LLC. These costs amounted to approximately $665, $22,000 and $49,300 in the years ended December 27, 2020, December 29, 2019, and December 30, 2018, respectively. As of December 29, 2019, December 30, 2018 and January 1, 2018, $22,000, $42,300 and $36,982 respectively, of reimbursements owed to this investor are captured in accounts payable and accrued expenses on the statement of financial position ($0 as of December 27, 2020).

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

| | Transaction Value for the Year Ended | | |
|---|---|---|---|
| | December 27 2020 | December 29, 2019 | December 30, 2018 |
| **Key Management Personnel** | | | |
| Short-term benefits | $ 567,117 | $ 599,797 | $ 203,050 |
| Share-based payments | 67,713 | 67,714 | - |
| Total | $ 634,830 | $ 667,511 | $ 203,050 |

| | Balances Outstanding as at | | | |
|---|---|---|---|---|
| | December 27 2020 | December 29, 2019 | December 30, 2018 | January 1, 2018 |
| **Key Management Personnel** | | | | |
| Share-based payments | $ 135,427 | $ 67,714 | $ - | $ - |

### 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, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).
- COVID-19-Related Rent Concessions beyond June 30, 2021 (Proposed amendment to IFRS 16) Extends the availability of the exemption for COVID-19-related rent concessions by one year to June 30, 2022.This exemption applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions in IFRS 16 for applying the practical expedient are met.

### Note 23. Standards Issued But Not Yet Effective (Continued)

- In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after January 1, 2023.

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the redemption feature of its preferred shares and the conversion feature in its convertible instruments do not provide the Company the option to defer settlement of the liability for at least twelve months after the reporting period. As such, this amendment does not affect the classification of the Company's preferred shares or convertible as a non-current liability.

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

### Note 24. Subsequent Events

On April 9, 2021, the Company issued additional convertible promissory notes in the amount of $5,000,000. In conjunction with this issuance, the Company has also updated the terms of its existing convertible promissory notes. The Company has not yet concluded on the accounting treatment of the revised terms, however, management has not yet determined the impact at the time of issuance.

On April 27, 2021, the Company has also raised $2,500,000 in Senior Debt to solidify its capital position.

On June 25, 2021, the Company (MiniLuxe Inc.) entered into a non-binding letter of intent ("LOI") with Rise Capital Corp. ("Rise"), a Canadian Capital Pool Company ("CPC"), to complete a proposed arm's length reverse take over (the "Proposed Transaction"), which is intended to constitute Rise's Qualifying Transaction ("QT"). Pursuant to the Proposed Transaction, Rise Merger Sub Inc. ("MergerCo"), a wholly-owned Delaware subsidiary of Rise, will merge with and into the Company, pursuant to which holders of shares of the Company will receive either subordinate voting shares or proportionate voting shares of Rise Capital (to be renamed "MiniLuxe Holding Corp.") in exchange for the shares of the Company held by them. This is a qualified financing for the Company, and it is intended that all outstanding redeemable and convertible securities of the Company will be converted into common shares of the Company prior to the completion of the Proposed Transaction or otherwise exchanged pursuant to the Proposed Transaction for comparable securities of Rise on substantially similar economic terms.

In connection with the Proposed Transaction, on October 15, 2021, MiniLuxe FinCo Corp. ("FinCo") completed a non-brokered private placement offering of Subscription Receipts (the "Financing") for gross proceeds of C$2,353,632 for 1,961,360 receipts and $6,218,118 for 6,477,118 receipts, for aggregate gross proceeds of $8,119,415, converted to USD at the Bank of Canada's USD/CAD exchange rate as of the close on October 15, 2021 (see Note 7). Simultaneous with and as a part of the Proposed Transaction, (a) each Subscription Receipt will be automatically converted into one Common Share of FinCo (but no

**Note 24. Subsequent Events (Continued)**

certificates evidencing such Common Shares will be issued to the Subscriber); and (b) FinCo will be amalgamated with a wholly-owned subsidiary of Rise Capital Corp., and pursuant thereto all Common Shares will be exchanged for Class A subordinate voting shares of Rise Capital as part of the Proposed Transaction. The closing date of the Proposed Transaction will be November 23, 2021.
Prior to the completion of the Proposed Transaction, the outstanding common shares of Rise will be consolidated on a 4:1 basis.

The Financing: Concurrent Subscription Receipt Offering

The Financing, which closed on October 15, 2021, is in support of the Proposed Transaction and is integral in the completion of the Qualifying Proposed Transaction. Prior to September 30, 2021, FinCo raised C$1,057,368 for 881,140 subscription receipts at C$1.20 per subscription receipt, and $4,095,151 for 4,265,747 subscription receipts at $0.96 per subscription receipt, for a total of 5,146,887 subscription receipts. From October 1 through October 15, 2021, FinCo raised an additional C$1,296,263 for 1,080,220 subscription receipts and $2,123,001 for 2,211,459 subscription receipts. See Note 7 for additional detail.

Each subscription receipt will entitle the holder thereof to one common share of FinCo. The funds are held in escrow pending completion of the Proposed Transaction and are refundable to the investors if the conditions for release are not met.

The Escrowed Funds shall be released to FinCo, and in connection therewith: (a) each Subscription Receipt will be automatically converted into one Common Share (but no certificates evidencing such Common Shares will be issued to the Subscriber); and (b) FinCo will be amalgamated with a wholly-owned subsidiary of Rise, and pursuant thereto all Common Shares will be exchanged for Class A subordinate voting shares of Rise as part of the business combination Proposed Transaction (the "Qualifying Proposed Transaction") to be completed between Rise and the Company.

Release Conditions means (a) the Company, Rise Capital, and FinCo having entered into the QT Agreement, (b) the receipt of all applicable regulatory and shareholder approvals for the Qualifying Proposed Transaction (including the conditional approval of the TSXV), (c) FinCo having confirmed that all conditions under the QT Agreement have been satisfied or waived, other than the release of the Escrowed Funds, the completion of the Amalgamation and the Qualifying Proposed Transaction and the filing of the requisite documents with governmental authorities, if any, to give effect to the Qualifying Proposed Transaction, (d) the Class A subordinate voting shares of Rise Capital issued to holders of Common Shares (including Common Shares issued on conversion of the Subscription Receipts) not being subject to any statutory hold period in Canada, (e) the Class A subordinate voting shares of Rise Capital being conditionally approved for listing on the TSXV, and the completion, satisfaction or waiver of all conditions precedent to such listing, other than the conditions set out in the conditional approval letter of the TSXV, and (f) FinCo having delivered a written notice to the Subscription Receipt Agent confirming that the Release Conditions have been met or waived.

The Company considers these events to be non-adjusting events and thus does not require any change to the balance sheet as at December 27, 2020.