

# MiniLuxe Holding Corp.

Financial Statements for 13 weeks ended  
March 27, 2022 and March 28, 2021

(Amounts expressed in United States Dollars)

## Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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**MiniLuxe Holding Corp.**
**Statements of Financial Position**
**March 27, 2022 with comparative information for December 26, 2021**

	Notes	March 27, 2022	December 26, 2021
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 15,437,833	\$ 19,120,111
Inventories	7	1,612,749	1,686,074
Prepaid expenses and other current assets		497,678	412,987
<b>Total current assets</b>		<b>17,548,260</b>	<b>21,219,172</b>
Non-current assets:			
Property and equipment, net	8	6,480,815	6,827,296
Intangible assets	8	636,291	497,251
Deposits		458,920	269,192
Long-term investments	9	50,000	50,000
Right-of-use asset, net	13	4,462,930	4,633,385
<b>Total non-current assets</b>		<b>12,088,956</b>	<b>12,277,124</b>
<b>Total assets</b>		<b>\$ 29,637,216</b>	<b>\$ 33,496,296</b>
<b>Equity and Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	9	2,613,894	3,575,416
Deferred revenue		1,296,560	1,376,325
Current portion of lease liability	13	1,400,966	1,383,645
<b>Total current liabilities</b>		<b>5,311,420</b>	<b>6,335,386</b>
Non-current liabilities:			
Lease liabilities	13	\$ 5,362,371	\$ 5,507,137
Loan Payable	9	2,462,421	2,460,091
<b>Total non-current liabilities</b>		<b>7,824,792</b>	<b>7,967,228</b>
<b>Total liabilities</b>		<b>\$ 13,136,212</b>	<b>\$ 14,302,614</b>
Shareholders' (deficit) equity:			
Share capital	10	116,627,805	116,627,805
Contributed Surplus		647,506	630,243
Accumulated comprehensive loss		(100,774,307)	(98,064,366)
<b>Total (deficit) equity</b>		<b>16,501,004</b>	<b>19,193,682</b>
<b>Total equity and liabilities</b>		<b>\$ 29,637,216</b>	<b>\$ 33,496,296</b>
Commitments and contingencies	15		

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

*"Tony Tjan"*

*"Zoe Krislock"*

\_\_\_\_\_  
Tony Tjan, Chairman  
Officer

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Zoe Krislock, Director and Chief Executive

**MiniLuxe Holding Corp.**  
**Statements of Net Profit or Loss and Comprehensive Profit**  
**or Loss**  
**13 weeks ended March 27, 2022 and March 28, 2021**  
**Unaudited, Amounts expressed in United States**  
**Dollars**

	Notes	March 27, 2022	March 28, 2021
Revenue	5	\$ 4,406,901	\$ 2,597,798
Cost of sales		2,497,652	1,372,259
<b>Gross profit</b>		<b>1,909,249</b>	<b>1,225,539</b>
General and administrative expense	11	3,646,620	2,216,005
Depreciation and amortization expense	8, 13	763,368	789,900
<b>Operating loss</b>		<b>(2,500,739)</b>	<b>(1,780,366)</b>
Finance costs	9, 13	(348,905)	(612,747)
Finance income		-	705
Other income		164,222	-
Gain (loss) on financial instruments	9	-	(5,101,000)
<b>Profit/(loss) before tax</b>		<b>(2,685,422)</b>	<b>(7,493,408)</b>
Income tax expense		(24,519)	(4,543)
<b>Net profit/(loss) and comprehensive profit/(loss) for the year, basic</b>		<b>\$ (2,709,941)</b>	<b>\$ (7,497,951)</b>

**Basic earnings per share** 14

Common shares	\$ -	\$ (0.27)
Subordinate voting shares	\$ (0.02)	\$ -
Proportionate voting shares	\$ (18.56)	\$ -
<b>Basic weighted-average shares outstanding</b>		
Common shares	-	28,055,678
Subordinate voting shares	54,972,326	-
Proportionate voting shares	91,064	-
<b>Diluted earnings per share</b>		
Common shares	\$ -	\$ (0.27)
Subordinate voting shares	\$ (0.02)	\$ -
Proportionate voting shares	\$ (18.56)	\$ -
<b>Diluted weighted-average shares outstanding</b>		
Common shares	-	28,055,678
Subordinate voting shares	54,972,326	-
Proportionate voting shares	91,064	-

See notes to financial statements.

MiniLuxe Holding Corp.

**Statements of Changes in Shareholders' (Deficit) Equity**  
**13 weeks ended March 27, 2022 and March 28, 2021**  
**Unaudited, amounts expressed in United States Dollars**

		Common Stock					Accumulated	Total Shareholders'
		Common Shares	Proportionate Voting Shares	Subordinate Voting Shares	Amount	Contributed Surplus	Comprehensive Loss	(Deficit) Equity
<b>Balance at December 27, 2020</b>		<b>20,889,427</b>	-	-	<b>3,744,957</b>	<b>326,598</b>	<b>(43,630,175)</b>	<b>(39,558,620)</b>
Share-based payments	12					12,025		12,025
Exercise of stock options		1,250			414	(189)		225
Net comprehensive loss					-		(7,497,951)	(7,497,951)
<b>Balance at March 28, 2021</b>		<b>20,890,677</b>	-	-	<b>3,745,371</b>	<b>338,434</b>	<b>(51,128,126)</b>	<b>(47,044,321)</b>
<b>Balance at December 26, 2021</b>		-	91,064	54,972,326	116,627,805	630,243	(98,064,366)	19,193,682
Share-based payments	12					17,263		17,263
Exercise of stock options						-		-
Net comprehensive loss					-		(2,709,941)	(2,709,941)
<b>Balance at March 27, 2022</b>		<b>-</b>	<b>91,064</b>	<b>54,972,326</b>	<b>116,627,805</b>	<b>647,506</b>	<b>(100,774,307)</b>	<b>16,501,004</b>

**MiniLuxe Holding Corp.**  
**Statements of Cash Flows**  
**13 weeks ended March 27, 2022 and March 28, 2021**

	Notes	March 27, 2022	March 28, 2021
Cash flows from operating activities:			
Net profit (loss)		\$ (2,709,941)	\$ (7,497,951)
Adjustments to reconcile net profit (loss) to net cash used in operating activities:			
Non-cash items			
Depreciation and amortization expense	8, 13	763,368	789,900
Share-based payments	12	17,263	12,025
Income tax expense		24,519	4,543
(Gain) loss on financial instruments	9	-	5,101,000
Interest expense	9, 13	348,905	612,747
Changes in operating assets and liabilities:			
Inventories, net	7	73,325	(9,057)
Prepaid expenses and other current assets		(84,691)	(5,467)
Deposits		(189,728)	-
Accounts payable and accrued expenses	9	(917,853)	(327,602)
Deferred revenue		(79,765)	(55,055)
		(2,754,598)	(1,374,917)
Interest paid		(252,825)	(120,702)
Taxes paid		(36,939)	(4,543)
<b>Cash flows used in operating activities</b>		<b>(3,044,362)</b>	<b>(1,500,162)</b>
Cash flows from investing activities:			
Acquisition of equipment	8	(45,128)	(22,396)
Acquisition of website	8	(191,185)	-
<b>Cash flows used in investing activities</b>		<b>(236,313)</b>	<b>(22,396)</b>
Cash flows from financing activities:			
Issuance of common stock	12	-	225
Repayment of loan payable	9	(125,000)	-
Repayment of principal portion of lease liabilities	13	(276,603)	(130,065)
<b>Cash flows used in financing activities</b>		<b>(401,603)</b>	<b>(129,840)</b>
<b>Decrease in cash and cash equivalents</b>		<b>\$ (3,682,278)</b>	<b>\$ (1,652,398)</b>
Cash and cash equivalents, beginning of period		\$ 19,120,111	\$ 2,866,368
Cash and cash equivalents, end of period		\$ 15,437,833	\$ 1,213,970

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 weeks ended March 27, 2022 and March 28, 2021**

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**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 one principal operating segment that includes Talent Revenue (revenue generated through the delivery of services) and Product Revenue (revenue generated on retail sales of proprietary and third-party products across an omni-channel platform).

Under an accounting convention common in the retail industry, the fiscal year of the Company is a 52-week reporting cycle ending on the Sunday closest to December 31, which periodically necessitates a fiscal year of 53 weeks. The first fiscal quarter of 2022 began on December 27, 2021 and ended on March 27, 2022.

The financial statements of MiniLuxe Holding Corp. for the 13 weeks March 27, 2022 were authorized by the Company’s board of directors on May 23, 2022.

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**

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting on the Statement of Comprehensive Profit or Loss, Statement of Changes in Shareholders Equity (Deficit) and Statement of Cash Flows.

These interim financial statements follow the same accounting policies and methods of application as set forth in the consolidated financial statements for the years ended December 26, 2021. These statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 26, 2021.

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

**Note 3. Summary of Significant Accounting Policies**

For a summary of significant accounting policies, refer to “Note 3 - Summary of Significant Accounting Policies” to the financial statements for the two years ending December 26, 2021.

**Note 4. Significant Accounting Judgments, Estimates and Uncertainties**

For a summary of significant accounting judgments, estimates, and uncertainties, refer to “Note 4 - Summary of Significant Accounting Judgments, Estimates and Uncertainties” to the financial statements for the two years ending December 26, 2021.

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 weeks ended March 27, 2022 and March 28, 2021**

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**Note 5. 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. In the 13 weeks ended March 27, 2022, the Company recognized a change in accounting presentation to reflect revenue generated from the talent and product revenue streams in alignment with how management analyzes the Company. Talent revenue now additionally reflects retail product sales made at the studio level, while Product revenue is inclusive only of revenue generated through retail sales via e-commerce and wholesale platforms. This change more accurately reflects management reporting and does not have any effect on revenue recognition principles utilized or total overall revenue recognized. The table below reflects the update retroactively for the 13 weeks ended March 28, 2021.

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

	<i>13 weeks ended</i>	
	March 27, 2022	March 28, 2021
Talent revenue	\$ 4,341,978	\$ 2,534,705
Product revenue	64,923	63,093
	<u>\$ 4,406,901</u>	<u>\$ 2,597,798</u>

**Note 6. Capital Management**

No changes were made in the objectives, policies or processes for managing capital during the 13 weeks ended March 27, 2022 and March 28, 2021. Please refer to "Note 7 – Capital Management" to the financial statements for the two years ending December 26, 2021.

**Note 7. Inventories**

Inventory consisted of the following at March 27, 2022 and December 26, 2021:

	March 27, 2022	December 26, 2021
Merchandise and retail products	\$ 538,865	\$ 594,055
Inventory supplies	251,437	307,754
Polish	407,433	399,140
Raw materials	415,014	385,125
Total Inventories	<u>\$ 1,612,749</u>	<u>\$ 1,686,074</u>
Inventory write-downs	<u>\$ 16,503</u>	<u>\$ 138,193</u>

There have been no reversals of inventory write-downs for the 13 weeks ending March 27, 2022, or December 26, 2021.

Inventory recognized as an expense in cost of sales is \$303,239 and \$142,096 for the 13 weeks ending March 27, 2022, and March 28, 2021, respectively.



**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 weeks ended March 27, 2022 and March 28, 2021**

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**Note 8. Property and Equipment and Intangible Assets**

Property and equipment, net consists of the following at March 27, 2022 and December 26, 2021:

	Furniture, Fixtures & Equipment	Leasehold Improvements	Total
<b>Cost</b>			
<b>At December 26, 2021</b>	\$ 1,984,655	\$ 14,989,770	\$ 16,974,425
Additions	41,386	3,743	45,129
<b>At March 27, 2022</b>	<u>\$ 2,026,041</u>	<u>\$ 14,993,513</u>	<u>\$ 17,019,554</u>
<b>Depreciation</b>			
<b>At December 26, 2021</b>	\$ 1,741,996	\$ 8,405,133	\$ 10,147,129
Depreciation charge for the year	36,171	355,439	391,610
<b>At March 27, 2022</b>	<u>\$ 1,778,167</u>	<u>\$ 8,760,572</u>	<u>\$ 10,538,739</u>
<b>Net book value</b>			
At December 26, 2021	\$ 242,659	\$ 6,584,637	\$ 6,827,296
<b>At March 27, 2022</b>	<u>\$ 247,874</u>	<u>\$ 6,232,941</u>	<u>\$ 6,480,815</u>

Intangible assets consists of the following at March 27, 2022 and December 26, 2021:

	Website
<b>Cost</b>	
<b>At December 26, 2021</b>	\$ 497,251
Additions	191,185
<b>At March 27, 2022</b>	<u>\$ 688,436</u>
<b>Depreciation</b>	
<b>At December 26, 2021</b>	\$ -
Depreciation charge for the year	52,145
<b>At March 27, 2021</b>	<u>\$ 52,145</u>
<b>Net book value</b>	
At December 26, 2021	\$ 497,251
<b>At March 27, 2022</b>	<u>\$ 636,291</u>

**Note 9. Financial Instruments**

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

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

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 weeks ended March 27, 2022 and March 28, 2021**

**Note 9. Financial Instruments (continued)**

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

	Interest Rate	Maturity	March 27, 2022	December 26, 2021
<b>Current interest-bearing loans and borrowings at amortized cost</b>				
Lease liabilities	15%	2022	\$ 1,400,966	\$ 1,383,645
<b>Total current interest-bearing loans and borrowings</b>			<b>1,400,966</b>	<b>1,383,645</b>
<b>Non-current interest-bearing loans and borrowings</b>				
Lease liabilities	15%	2023-2027	5,362,371	5,507,137
Loan payable	15%	2025	2,462,421	2,460,091
<b>Total non- current interest-bearing loans and borrowings</b>			<b>7,824,792</b>	<b>7,967,228</b>
<b>Total interest-bearing loans and borrowings</b>			<b>9,225,758</b>	<b>9,350,873</b>
<b>Other financial liabilities:</b>				
<b>Financial liabilities at amortized cost</b>				
Accounts payable and accrued expenses			2,613,894	3,575,416
<b>Total other financial liabilities</b>			<b>\$ 2,613,894</b>	<b>\$ 3,575,416</b>
Total current			\$ 4,014,860	\$ 4,959,061
Total non-current			\$ 7,824,792	\$ 7,967,228

**Senior debt**

The Company also issued \$2,500,000 of senior debt recorded at \$2,460,000 (net of approximately \$40,000 in transaction costs) during the quarter ended June 27, 2021 repayable no later than April 27, 2025. The Company is required to make monthly interest payments of \$31,250 until the maturity date of the loan. Interest expense on the senior debt for the 13 weeks ended March 27, 2022 was \$96,080 (March 28, 2021 – nil). Concurrently, the Company issued warrants with the senior debt. The warrants are classified as equity instruments.

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 weeks ended March 27, 2022 and March 28, 2021**

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**Note 9. Financial Instruments (continued)**

***Accounts payable and accrued expenses***

	March 27, 2022	December 26, 2021
Accounts payable	\$ 620,703	\$ 777,994
Other payables and accrued expenses	1,879,954	2,610,772
Interest payable	-	31,250
Variable rent	113,237	155,400
	<u>\$ 2,613,894</u>	<u>\$ 3,575,416</u>

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.

***Finance Costs***

Reconciliation of finance costs for the 13 weeks ended March 27, 2022 and March 28, 2021 are summarized in the following table:

	March 27, 2022	March 28, 2021
Lease adjustments	\$ 252,825	\$ 276,184
Senior debt Interest	96,080	-
Convertible note interest	-	335,563
Other	-	1,000
	<u>\$ 348,905</u>	<u>\$ 612,747</u>

**Note 10. Share Capital**

As of March 27, 2022 and December 26, 2021, the Company has authorized an unlimited number of subordinate and proportionate voting shares. The holders of the subordinate and proportionate voting shares are entitled to vote on all matters. The holders of the subordinate voting shares are entitled to the number of votes equal to the number shares held. The holders of the proportionate voting shares are entitled to 1,000 votes for each share held. As of March 27, 2022 and December 26, 2021, there were 54,972,326 subordinate voting shares and 91,064 proportionate voting shares issued and outstanding.

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 weeks ended March 27, 2022 and March 28, 2021**

**Note 11. General and Administrative Expenses**

General and administrative expenses are comprised of the following:

	<i>13 weeks ended</i>	
	March 27, 2022	March 28, 2021
Salaries, wages and employee benefits	\$ 1,869,079	\$ 1,267,160
Professional fees	301,033	73,832
Variable rent	229,130	331,003
HR, payroll and recruiting fees	223,742	42,538
IT related costs	155,224	114,530
Repairs and maintenance	136,656	58,349
Marketing and selling expenses	131,901	62,617
Bank and credit card fees	127,842	80,411
Warehouse	102,534	50,310
Insurance, permits and fines	87,324	36,472
Operating supplies	85,651	50,376
Other expenses	58,330	(14,005)
Travel, meals and entertainment	53,229	17,994
Third party consultants	40,149	-
Equipment	27,533	32,393
Stock compensation	17,263	12,025
Loss on disposal of property and equipment	-	-
Total general and administrative expenses	\$ 3,646,620	\$ 2,216,005

**Note 12. Share-based payments**

Under the 2021 Omnibus Equity Incentive Compensation Plan (the “Plan”), 14,603,586 shares and an aggregate of 13,228,771 between Restricted Share Units (“RSU”), Deferred Share Units (“DSU”) and Performance Share Units (“PSU”) are authorized for issuance at March 27, 2022 and December 26, 2021.

Options to purchase 7,958,850 subordinate voting shares were available for issuance under the Plan as of March 27, 2022 and December 26, 2021. No RSU’s, DSU’s or PSU’s were issued and outstanding as of March 27, 2022 and December 26, 2021.

Stock option activity under the Plan during the period ended March 27, 2022 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (In Years)
Outstanding at December 26, 2021	6,644,736	\$ 0.21	8.1
Granted	-	-	
Forfeited	(40,962)	0.18	
Cancelled	-	-	
Outstanding at March 27, 2022	6,603,774	\$ 0.28	6.9
Options exercisable at March 27, 2022	4,085,393	\$ 0.28	7.8

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 weeks ended March 27, 2022 and March 28, 2021**

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**Note 12. Share-based payments (continued)**

There were no stock options granted in the 13 weeks ended March 27, 2022. There are no RSU's, DSU's or PSU's outstanding as of March 27, 2022 and December 31, 2021.

In the 13 weeks ended March 27, 2022, no stock options were exercised. In the year ended December 26, 2021, 3,515 stock options were exercised.

The Company recognized \$17,263 and \$12,025 in stock-based compensation expense for the 13 weeks ended March 27, 2022 and March 28, 2021, respectively. As of March 27, 2022, there was approximately \$69,062 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 1.4 years.

**Note 13. 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.

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

	Real Estate	Equipment	Total
<b>As at December 26, 2021</b>	\$ 4,629,055	\$ 4,330	\$ 4,633,385
Modifications	149,158	-	149,158
Depreciation expense	(317,217)	(2,396)	(319,613)
<b>As at March 27, 2022</b>	<b>\$ 4,460,996</b>	<b>\$ 1,934</b>	<b>\$ 4,462,930</b>

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

	March 27, 2022	December 26, 2021
Balance as of beginning of the period	\$ 6,980,782	\$ 9,082,353
Modifications	149,158	(980,026)
Accretion of interest	252,825	1,111,834
Payments	(529,428)	(2,323,379)
Balance as of end of the period	<u>\$ 6,763,337</u>	<u>\$ 6,890,782</u>
Current	\$ 1,400,966	\$ 1,383,645
Non-Current	\$ 5,362,371	\$ 5,507,137

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 weeks ended March 27, 2022 and March 28, 2021**

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**Note 13. Leases (continued)**

The following are the amounts recognized in profit or loss:

	13 weeks ended	
	March 27, 2022	March 28, 2021
Depreciation expense of right-of-use assets	\$ 319,613	\$ 375,429
Interest expense on lease liabilities	252,825	(276,184)
Expense relating to leases of low-value assets	8,089	17,230
Variable rent	229,130	331,003
Total amount recognized in comprehensive loss	<u>\$ 809,657</u>	<u>\$ 447,478</u>

The Company did not record a gain on modification of real estate leases within other income in the 13 weeks ended March 27, 2022 or March 28, 2021.

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.

**Note 14. 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 participating common stock outstanding during the year. The participating common stock includes the Company's subordinate and proportionate voting shares. Diluted EPS is calculated by dividing the profit attributable to common equity holders of the parent by the weighted average number of common stock outstanding during the year plus the weighted average number of common stock that would be issued on conversion of all the dilutive potential common stock into common stock.

Instruments that could potentially dilute basic earnings per share include stock options and warrants for the 13 weeks ended March 27, 2022. Instruments that could potentially dilute basic earnings per share include redeemable preferred shares, stock options and warrants for the 13 weeks ended March 28, 2021.

For the 13 weeks ended March 27, 2022 and March 28, 2021, the stock options are anti-dilutive in nature.

As part of the RTO transaction the issued and outstanding common and preferred shares were exchanged for subordinate and proportionate voting shares. Those common and preferred shares that were exchanged to subordinate voting shares were converted to 1.34303 subordinate shares at a ratio of 1 to 1. The remaining shares that were converted to proportionate voting shares were exchanged at the same rate of 1.34303 but each 1,000 shares converted into one proportionate voting share. The below table reflects these changes in both the current and prior year. Each of the proportionate voting shares is convertible into 1,000 subordinate voting shares at the option of the holder. The EPS calculations for the period ended March 28, 2021 includes the adjustment for the conversion ratio of 1.34303.

The calculation and presentation below is based on the number of shares outstanding at March 27, 2022 which is based on the legal amount of shares outstanding under each class without assuming conversion.

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

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**Note 14. Earnings per share (EPS) (continued)**

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

	<i>13 weeks ended</i>		
	<b>March 27, 2022</b>		<b>March 28, 2021</b>
	<b>Subordinate Voting Shares</b>	<b>Proportionate Voting Shares</b>	
<b>Profit (loss) attributable to equity holders of the Company (Basic)</b>	\$ (1,020,104)	\$ (1,689,837)	\$ (7,497,951)
Weighted average number of shares for basic EPS	54,972,326	91,064	28,055,678
<b>Basic earnings per share</b>	<b>\$ (0.02)</b>	<b>\$ (18.56)</b>	<b>\$ (0.27)</b>
<b>Profit (loss) attributable to equity holders of the Company (dilutive)</b>	\$ (1,020,104)	\$ (1,689,837)	\$ (7,497,951)
Weighted average number of common stock for diluted EPS	54,972,326	91,064	28,055,678
<b>Diluted earnings per share</b>	<b>\$ (0.02)</b>	<b>\$ (18.56)</b>	<b>\$ (0.27)</b>
<b>Weighted average number of shares for basic EPS</b>			
<b>Issued shares at start of year</b>	54,972,326	91,064	28,055,193
Effect of share options exercised	-	-	485
Effect of warrants exercised	-	-	-
<b>Weighted average number of shares end of year (basic)</b>	<b>54,972,326</b>	<b>91,064</b>	<b>28,055,678</b>
Effects of dilution from:			
Effect of share options issued	-	-	-
Effect of conversion of redeemable preferred shares	-	-	-
<b>Weighted average number of shares end of year (dilutive)</b>	<b>54,972,326</b>	<b>91,064</b>	<b>28,055,678</b>

**Note 15. 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.

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**Note 16. 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 13 weeks ended March 27, 2022 and March 28, 2021.

**Note 17. Fair Value Measurement**

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

		Fair Value Measurement Using			
Date of Valuation	Total	Quoted price in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets measured at fair value:</b>					
Long Term investments	March 27, 2022	\$ 50,000	\$ -	\$ -	\$ 50,000
	December 26, 2021	\$ 50,000	\$ -	\$ -	\$ 50,000

There were no transfers between Level 1 and Level 2 during 2021.

**Note 18. Risk Management**

The Company's principal financial liabilities comprise of accounts payables and accrued expenses, redeemable preferred shares, convertible promissory notes, lease liabilities, and senior debt. The main purpose of these financial liabilities is to finance the Company's operations.

**Note 19. Related Party Transactions**

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

		<i>Transaction Value for the 13 Weeks Ended</i>	
		<b>March 27, 2022</b>	<b>March 28, 2021</b>
<b>Key Management Personnel</b>			
Short-term benefits	\$	253,455	\$ 174,498
Share-based payments		11,470	25,243
Total	\$	264,924	\$ 199,741

  

		<i>Balance Outstanding as at</i>	
		<b>March 27, 2022</b>	<b>December 26, 2021</b>
<b>Key Management Personnel</b>			
Share-based payments	\$	307,711	\$ 296,241



**Note 20.        Significant Events**

During fiscal quarter Q1 2022, MiniLuxe entered into two lease agreements for studios in Tampa, Florida and St. Petersburg, Florida. The lessor has not yet made the studios available for use.