

MiniLuxe Holding Corp.

Financial Statements for 13 and 39 weeks ended
September 25, 2022 and September 26, 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

September 25, 2022 with comparative information for December 26, 2021

Unaudited, Amounts expressed in United States Dollars

	Notes	September 25, 2022	December 26, 2021
Assets			
Current assets:			
Cash and cash equivalents		\$ 10,497,192	\$ 19,120,111
Inventories	7	1,728,168	1,686,074
Prepaid expenses and other current assets		495,868	412,987
Total current assets		12,721,228	21,219,172
Non-current assets:			
Property and equipment, net	8	6,672,073	6,827,296
Intangible assets	8	700,015	497,251
Goodwill		542,853	-
Deposits		524,175	269,192
Long-term investments	17	50,000	50,000
Right-of-use asset, net	13	4,709,804	4,633,385
Total non-current assets		13,198,920	12,277,124
Total assets		\$ 25,920,148	\$ 33,496,296
Equity and Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	9	3,347,551	3,575,416
Deferred revenue		1,881,508	1,376,325
Lease liabilities	13	1,433,607	1,383,645
Total current liabilities		6,662,666	6,335,386
Non-current liabilities:			
Lease liabilities	13	\$ 5,599,425	\$ 5,507,137
Loan Payable	9	2,467,362	2,460,091
Total non-current liabilities		8,066,787	7,967,228
Total liabilities		\$ 14,729,453	\$ 14,302,614
Shareholders' (deficit) equity:			
Share capital	10	117,729,557	116,627,805
Contributed Surplus		746,603	630,243
Accumulated comprehensive loss		(107,285,465)	(98,064,366)
Total (deficit) equity		11,190,695	19,193,682
Total equity and liabilities		\$ 25,920,148	\$ 33,496,296
Commitments and contingencies			
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Approved, on behalf of the Board of Directors, by:

"Tony Tjan"

"Zoe Krislock"

Tony Tjan, Chairman
Officer

Zoe Krislock, Director and Chief Executive

MiniLuxe Holding Corp.

Statements of Net Profit or Loss and Comprehensive Profit or Loss
13 and 39 weeks ended September 25, 2022 and September 26, 2021
Unaudited, Amounts expressed in United States Dollars

	Notes	13 weeks ended		39 weeks ended	
		September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Revenue	5	\$ 5,578,756	\$ 4,747,866	\$ 15,471,774	\$ 11,522,117
Cost of sales		3,091,913	2,505,544	8,586,274	5,742,058
Gross profit		2,486,843	2,242,322	6,885,500	5,780,059
General and administrative expense	11	4,925,018	3,221,089	12,944,753	9,397,889
Depreciation and amortization expense	8, 13	758,721	740,963	2,249,748	2,300,476
Operating loss		(3,196,896)	(1,719,730)	(8,309,001)	(5,918,306)
Finance costs	9, 13	(346,488)	(812,840)	(1,032,194)	(2,215,198)
Finance income		-	-	-	1,737
Other income		3,894	-	171,363	443,045
Gain (loss) on financial instruments	9	-	(2,601,106)	-	(19,608,947)
Profit/(loss) before tax		(3,539,490)	(5,133,676)	(9,169,832)	(27,297,669)
Income tax expense		(9,257)	(22,778)	(51,268)	(48,317)
Net profit/(loss) and comprehensive profit/(loss) for the year, basic		\$ (3,548,747)	\$ (5,156,454)	\$ (9,221,100)	\$ (27,345,986)
Basic earnings per share	14				
Common shares		\$ -	\$ (0.18)	\$ -	\$ (0.97)
Subordinate voting shares		\$ (0.02)	\$ -	\$ (0.06)	\$ -
Proportionate voting shares		\$ (24.22)	\$ -	\$ (63.07)	\$ -
Basic weighted-average shares outstanding					
Common shares		-	28,059,883	-	28,059,488
Subordinate voting shares		55,458,390	-	55,134,347	-
Proportionate voting shares		91,064	-	91,064	-
Diluted earnings per share					
Common shares		\$ -	\$ (0.18)	\$ -	\$ (0.97)
Subordinate voting shares		\$ (0.02)	\$ -	\$ (0.06)	\$ -
Proportionate voting shares		\$ (24.22)	\$ -	\$ (63.07)	\$ -
Diluted weighted-average shares outstanding					
Common shares		-	28,059,883	-	28,059,488
Subordinate voting shares		55,458,390	-	55,134,347	-
Proportionate voting shares		91,064	-	91,064	-

See notes to financial statements.

Statements of Changes in Shareholders' (Deficit) Equity
39 weeks ended September 25, 2022 and September 26, 2021
Unaudited, amounts expressed in United States Dollars

		Number of Shares						
		Common Shares	Proportionate Voting Shares	Subordinate Voting Shares	Amount	Contributed Surplus	Accumulated Comprehensive Loss	Total Shareholders' (Deficit) Equity
Balance at December 27, 2020		20,889,476	-	-	\$ 3,744,957	\$ 326,598	\$ (43,630,175)	\$ (39,558,620)
Share-based payments	12	-	-	-	-	190,285	-	190,285
Exercise of stock options		3,238	-	-	725	(500)	-	225
Exercise of warrants		200,000	-	-	46,290	(16,290)	-	30,000
Net comprehensive loss		-	-	-	-	-	(27,345,989)	(27,345,989)
Balance at September 26, 2021		21,092,714	-	-	\$ 3,791,972	\$ 500,093	\$ (70,976,164)	\$ (66,684,099)
Balance at December 26, 2021		-	91,064	54,972,326	\$ 116,627,805	\$ 630,243	\$ (98,064,366)	\$ 19,193,682
Share-based payments	12	-	-	-	-	116,360	-	116,360
Exercise of stock options		-	-	43,790	1,752	-	-	1,752
Shares issued for business combination		-	-	1,067,961	1,100,000	-	-	1,100,000
Net comprehensive loss		-	-	-	-	-	(9,221,099)	(9,221,099)
Balance at September 25, 2022		-	91,064	56,084,077	\$ 117,729,557	\$ 746,603	\$ (107,285,465)	\$ 11,190,695

MiniLuxe Holding Corp.
Statements of Cash Flows
39 weeks ended September 25, 2022 and September 26, 2021
Unaudited, Amounts expressed in United States Dollars

	Notes	September 25, 2022	September 26, 2021
Cash flows from operating activities:			
Net profit (loss)		\$ (9,221,100)	\$ (27,345,986)
Adjustments to reconcile net profit (loss) to net cash used in operating activities:			
Non-cash items			
Depreciation and amortization expense	8, 13	2,249,748	2,300,476
Share-based payments	12	116,360	190,285
Valuation of warrants		-	100,804
Income tax expense		51,268	48,317
Loss on disposal of property and equipment		-	438,759
Real estate modifications and abatements		124,664	(443,046)
(Gain) loss on financial instruments	9	-	19,508,143
Interest expense	9, 13	1,032,195	2,215,198
Changes in operating assets and liabilities:			
Inventories, net	7	200,468	(225,645)
Prepaid expenses and other current assets		(80,179)	(160,770)
Deposits		(233,089)	10,875
Accounts payable and accrued expenses	9	(194,198)	(734,721)
Deferred revenue		(17,356)	(1,627)
		(5,971,219)	(4,098,938)
Interest paid		(743,674)	(797,100)
Taxes paid		(59,832)	(49,839)
Cash flows used in operating activities		(6,774,725)	(4,945,877)
Cash flows from investing activities:			
Acquisition of equipment	8	(214,372)	(421,569)
Acquisition of ROU Asset		(36,606)	-
Acquisition of cash from business combination		14,873	-
Acquisition of website	8	(383,444)	(376,611)
Cash flows used in investing activities		(619,549)	(798,180)
Cash flows from financing activities:			
Issuance of common stock	12	1,751	30,225
Issuance of convertible promissory notes, net of issuance costs		-	4,934,289
Repayment of loan payable	9	(949,146)	2,455,000
Repayment of principal portion of lease liabilities	13	(281,250)	(974,233)
Cash flows used in financing activities		(1,228,645)	6,445,281
Increase/(decrease) in cash and cash equivalents		\$ (8,622,919)	\$ 701,224
Cash and cash equivalents, beginning of period		\$ 19,120,111	\$ 2,866,368
Cash and cash equivalents, end of period		\$ 10,497,192	\$ 3,567,592

MiniLuxe Holding Corp.
Notes to the Financial Statements
13 and 39 weeks ended September 25, 2022 and September 26, 2021

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 third fiscal quarter of 2022 began on June 27, 2022 and ended on September 25, 2022.

The financial statements of MiniLuxe Holding Corp. for the 13 and 39 weeks ended September 25, 2022 were authorized by the Company's board of directors on November 22, 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. Additional policies are below:

These interim consolidated financial statements are comprised of the financial results of the Company and its subsidiaries, which are the entities under the Company's control.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date. Any excess of the fair value of the

MiniLuxe Holding Corp.
Notes to the Financial Statements
13 and 39 weeks ended September 25, 2022 and September 26, 2021

Note 3. Summary of Significant Accounting Policies (continued)

net assets acquired over the assumed consideration paid is recognized as a gain in the interim consolidated statement of financial position.

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

Refer to Note 20 for additional information on the Company's acquisitions.

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.

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. Talent revenue now reflects retail product sales made at the studio level as well as studio service revenue, while Product revenue is inclusive of revenue generated through retail sales via e-commerce and wholesale platforms.

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

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Talent revenue	\$ 5,531,658	\$ 4,669,512	\$ 15,306,888	\$ 11,273,864
Product revenue	47,098	78,354	164,887	248,253
	<u>\$ 5,578,756</u>	<u>\$ 4,747,866</u>	<u>\$ 15,471,775</u>	<u>\$ 11,522,117</u>

Note 6. Capital Management

No changes were made in the objectives, policies or processes for managing capital during the 26 weeks ended September 25, 2022 and September 26, 2021. Please refer to "Note 7 – Capital Management" to the financial statements for the two years ending December 26, 2021.

MiniLuxe Holding Corp.
Notes to the Financial Statements
13 and 39 weeks ended September 25, 2022 and September 26, 2021

Note 7. Inventories

Inventory consisted of the following at September 25, 2022 and December 26, 2021:

	September 25, 2022	December 26, 2021
Merchandise and retail products	\$ 756,343	\$ 594,055
Inventory supplies	116,731	307,754
Polish	433,906	399,140
Raw materials	421,188	385,125
Total Inventories	\$ 1,728,168	\$ 1,686,074
Inventory write-downs	\$ 31,240	\$ 138,193

There have been no reversals of inventory write-downs for the 39 weeks ending September 25, 2022 or December 26, 2021

Inventory recognized as an expense in cost of sales is \$338,941 and \$232,307 for the 13 weeks ending September 25, 2022 and September 26, 2021, respectively. Inventory recognized as expense in cost of sales is \$984,137 and \$372,300 for the 39 weeks ending September 25, 2022 and September 26, 2021, respectively.

Note 8. Property and Equipment and Intangible Assets

Property and equipment, net consists of the following at September 25, 2022 and December 26, 2021:

	Furniture, Fixtures & Equipment	Leasehold Improvements	Total
Cost			
At December 26, 2021	\$ 1,984,655	\$ 14,989,770	\$ 16,974,425
Additions	277,999	734,031	1,012,030
At September 25, 2022	\$ 2,262,654	\$ 15,723,801	\$ 17,986,455
Depreciation			
At December 26, 2021	\$ 1,741,996	\$ 8,405,133	\$ 10,147,129
Depreciation charge for the year	103,890	1,063,363	1,167,253
At September 25, 2022	\$ 1,845,886	\$ 9,468,496	\$ 11,314,382
Net book value			
At December 26, 2021	\$ 242,659	\$ 6,584,637	\$ 6,827,296
At September 25, 2022	\$ 416,768	\$ 6,255,305	\$ 6,672,073

MiniLuxe Holding Corp.
Notes to the Financial Statements
13 and 39 weeks ended September 25, 2022 and September 26, 2021

Note 8. Property and Equipment and Intangible Assets (continued)

Intangible assets consists of the following at September 25, 2022 and December 26, 2021:

	Website	Goodwill	Total
Cost			
At December 26, 2021	\$ 497,251	\$ -	\$ 497,251
Additions	383,444	542,853	926,297
At September 25, 2022	\$ 880,695	\$ 542,853	\$ 1,423,548
Depreciation			
At December 26, 2021	\$ -	\$ -	\$ -
Depreciation charge for the year	180,680	-	180,680
At September 25, 2022	\$ 180,680	\$ -	\$ 180,680
Net book value			
At December 26, 2021	\$ 497,251	\$ -	\$ 497,251
At September 25, 2022	\$ 700,015	\$ 542,853	\$ 1,242,868

The Goodwill balance recorded is provisional and based on management's best estimate using the information currently available and may be revised by the Company as additional information is received. See Note 20 for additional information.

Note 9. Financial Instruments

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

On December 15, 2021, the Company invested in Blank Beauty (formerly 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 and 39 weeks ended September 25, 2022 and September 26, 2021

Note 9. Financial Instruments (continued)

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

	Interest Rate	Maturity	September 25, 2022	December 26, 2021
Current interest-bearing loans and borrowings at amortized cost				
Lease liabilities	15%	2022-2023	\$ 1,433,607	\$ 1,383,645
Total current interest-bearing loans and borrowings			1,433,607	1,383,645
Non-current interest-bearing loans and borrowings				
Lease liabilities	15%	2023-2027	5,599,425	5,507,137
Loan payable	15%	2025	2,467,362	2,460,091
Total non- current interest-bearing loans and borrowings			8,066,787	7,967,228
Total interest-bearing loans and borrowings			9,500,394	9,350,873
Other financial liabilities:				
Financial liabilities at amortized cost				
Accounts payable and accrued expenses			3,347,551	3,575,416
Total other financial liabilities			\$ 3,347,551	\$ 3,575,416
Total current			\$ 4,781,158	\$ 4,959,061
Total non-current			\$ 8,066,787	\$ 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 39 weeks ended September 25, 2022 was \$288,521 (39 weeks ended September 26, 2021 – \$160,417) and interest expense for the 13 weeks ended September 25, 2022 was \$96,268 (13 weeks ended September 26, 2021 – \$93,750). Concurrently, the Company issued warrants with the senior debt. The warrants are classified as equity instruments.

Accounts payable and accrued expenses

	September 25, 2022	December 26, 2021
Accounts payable	\$ 692,767	\$ 777,994
Other payables and accrued expenses	2,556,371	2,610,772
Interest payable	-	31,250
Variable rent	98,413	155,400
	\$ 3,347,551	\$ 3,575,416

MiniLuxe Holding Corp.
Notes to the Financial Statements
13 and 39 weeks ended September 25, 2022 and September 26, 2021

Note 9. Financial Instruments (continued)

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 and 39 weeks ended September 25, 2022 and September 26, 2021 are summarized in the following table:

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Lease adjustments	\$ 250,220	\$ 270,954	\$ 743,673	\$ 851,216
Senior debt Interest	96,268	93,750	288,521	160,417
Convertible note interest	-	448,136	-	1,202,565
Other	-	-	-	1,000
	<u>\$ 346,488</u>	<u>\$ 812,840</u>	<u>\$ 1,032,194</u>	<u>\$ 2,215,198</u>

Note 10. Share Capital

As of September 25, 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 September 25, 2022 there were 56,084,077 subordinate voting shares and 91,064 proportionate voting shares issued and outstanding (December 26, 2021 - 54,972,326 subordinate voting shares and 91,064 proportionate voting shares issued and outstanding).

MiniLuxe Holding Corp.
Notes to the Financial Statements
13 and 39 weeks ended September 25, 2022 and September 26, 2021

Note 11. General and Administrative Expenses

General and administrative expenses are comprised of the following:

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Salaries, wages and employee benefits	\$ 2,271,093	\$ 1,585,374	\$ 6,166,685	\$ 4,252,514
Professional fees	591,173	151,458	1,378,306	513,610
Marketing and selling expenses	427,197	182,580	894,044	367,902
IT related costs	318,040	130,406	715,894	368,583
Variable rent	239,107	73,973	697,444	606,409
Bank and credit card fees	161,819	137,044	455,237	337,323
HR, payroll and recruiting fees	146,594	159,298	544,546	397,971
Operating supplies	143,490	147,541	354,813	298,562
Travel, meals and entertainment	124,403	86,028	303,447	194,519
Repairs and maintenance	118,685	153,624	393,801	292,058
Insurance, permits and fines	113,808	46,679	312,259	129,625
Warehouse	108,110	74,692	333,170	233,276
Stock compensation	88,738	28,357	116,360	190,379
Third party consultants	35,104	207,268	35,104	534,175
Other expenses	11,043	10,265	71,666	117,338
Equipment	26,614	46,502	87,289	124,886
Listing Costs	-	-	84,688	-
Loss on disposal of property and equipment	-	-	-	438,759
Total general and administrative expenses	\$ 4,925,018	\$ 3,221,089	\$ 12,944,753	\$ 9,397,889

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 September 25, 2022 and December 26, 2021.

Options to purchase 6,260,927 subordinate voting shares were available for issuance under the Plan as of September 25, 2022 and 7,958,850 were available as of December 26, 2021. No RSU’s, DSU’s or PSU’s were issued and outstanding as of September 25, 2022 and December 26, 2021.

MiniLuxe Holding Corp.
Notes to the Financial Statements
13 and 39 weeks ended September 25, 2022 and September 26, 2021

Note 12. Share-based payments (continued)

Stock option activity under the Plan during the period ended September 25, 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	\$ 0.23	8.1
Granted	715,000	0.35	
Forfeited	-	-	
Cancelled	-	-	
Outstanding at June 26, 2022	7,318,774	\$ 0.25	8.4
Granted	1,049,295	0.35	
Exercised	(43,790)	0.04	
Forfeited	(25,410)	0.35	
Cancelled	-	-	
Options outstanding at September 25, 2022	8,298,869	\$ 0.21	8.1
Options exercisable at September 25, 2022	4,832,834	\$ 0.18	7.4

There were 1,764,295 stock options granted in the 39 weeks ended September 25, 2022. There are no RSU's, DSU's or PSU's outstanding as of September 25, 2022 and December 31, 2021.

In the 39 weeks ended September 25, 2022, 43,790 stock options were exercised. In the year ended December 26, 2021, 3,515 stock options were exercised.

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

The Company recognized \$116,360 in stock-based compensation expense for the 39 weeks ended September 25, 2022 (39 weeks ended September 26, 2021 - \$190,285) and \$88,739 in stock-based compensation expense for the 13 weeks ended September 25, 2022 (13 weeks ended September 26, 2021 - \$28,357). As of September 25, 2022, there was approximately \$555,431 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 2.2 years.

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Notes to the Financial Statements
13 and 39 weeks ended September 25, 2022 and September 26, 2021

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
As at December 26, 2021	\$ 4,629,055	\$ 4,330	\$ 4,633,385
Modifications	(138,256)	-	(138,256)
Addition from business combination	1,116,491		1,116,491
Depreciation expense	(897,865)	(3,951)	(901,816)
As at September 25, 2022	\$ 4,709,425	\$ 379	\$ 4,709,804

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:

	September 25, 2022	December 26, 2021
Balance as of beginning of the period	\$ 6,980,782	\$ 9,082,353
Addition from business combination	1,042,885	
Modifications	(13,592)	(980,026)
Accretion of interest	743,674	1,111,834
Payments	(1,630,717)	(2,323,379)
Balance as of end of the period	<u>\$ 7,033,032</u>	<u>\$ 6,890,782</u>
Current	\$ 1,433,607	\$ 1,383,645
Non-Current	\$ 5,599,425	\$ 5,507,137

The following are the amounts recognized in profit or loss:

	13 weeks ended		39 weeks ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Depreciation expense of right-of-use assets	302,368	322,825	901,816	1,054,563
Interest expense on lease liabilities	250,220	270,954	743,674	852,161
Expense relating to leases of low-value assets	7,672	6,545	25,035	30,320
Variable rent	239,107	73,973	697,444	580,346
Total amount recognized in comprehensive loss	<u>799,367</u>	<u>674,297</u>	<u>2,367,969</u>	<u>2,517,390</u>

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Note 13. Leases (continued)

The Company did not record a gain or loss on modification of real estate leases within other income in the 13 or 39 weeks ended September 25, 2022 (39 weeks ended September 26, 2021 - \$443,045).

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 39 weeks ended September 25, 2022. Instruments that could potentially dilute basic earnings per share include redeemable preferred shares, stock options and warrants for the 13 weeks ended September 26, 2021.

For the 39 weeks ended September 25, 2022 and September 26, 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 September 26, 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 September 25, 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:

	13 weeks ended			39 weeks ended		
	September 25, 2022		September 26, 2021	September 25, 2022		September 26, 2021
	Subordinate Voting Shares	Proportionate Voting Shares		Subordinate Voting Shares	Proportionate Voting Shares	
Profit (loss) attributable to equity holders of the Company (Basic)	\$ (1,343,197)	\$ (2,205,550)	(5,156,454)	\$ (3,477,474)	\$ (5,743,626)	\$ (27,345,986)
Weighted average number of shares for basic EPS	55,458,390	91,064	28,059,885	55,134,347	91,064	28,059,488
Basic earnings per share	\$ (0.02)	\$ (24.22)	\$ (0.18)	\$ (0.06)	\$ (63.07)	\$ (0.97)
Profit (loss) attributable to equity holders of the Company (dilutive)	\$ (1,343,197)	\$ (2,205,550)	\$ (5,156,454)	\$ (3,477,474)	\$ (5,743,626)	\$ (27,345,986)
Weighted average number of common stock for diluted EPS	55,458,390	91,064	28,059,885	55,134,347	91,064	28,059,488
Diluted earnings per share	\$ (0.02)	\$ (24.22)	\$ (0.18)	\$ (0.06)	\$ (63.07)	\$ (0.97)
Weighted average number of shares for basic EPS						
Issued shares at start of year	54,972,326	91,064	28,056,872	54,972,326	91,064	28,055,193
Effect of business comb. share issuance	469,433	-	-	156,478	-	-
Effect of share options exercised	16,631	-	50	5,543	-	1,332
Effect of warrants exercised	-	-	2,963	-	-	2,963
Weighted average number of shares end of year (basic)	55,458,390	91,064	28,059,885	55,134,347	91,064	28,059,488
Effects of dilution from:						
Effect of share options issued	2,880,625	-	49,129	5,297,649	-	49,129
Effect of conversion of redeemable preferred shares	-	-	83,497,781	-	-	83,497,781
Effect of contingently issuable shares	1,187,273	-	-	395,758	-	-
Weighted average number of shares end of year (dilutive)	59,526,288	91,064	111,606,795	60,827,754	91,064	111,606,398

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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.

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 and 39 weeks ended September 25, 2022 and September 26, 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)	
Assets measured at fair value:					
Long term investments	September 25, 2022	\$ 50,000	\$ -	\$ -	\$ 50,000
	December 26, 2021	\$ 50,000	\$ -	\$ -	\$ 50,000

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

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.

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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>		<i>Transaction Value for the 39 Weeks Ended</i>	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Key Management Personnel				
Short-term benefits	\$ 261,724	\$ 166,984	\$ 768,633	\$ 515,980
Share-based payments	37,304	30,291	58,854	85,825
Total	<u>\$ 299,028</u>	<u>\$ 197,275</u>	<u>\$ 827,487</u>	<u>\$ 601,805</u>

	<i>Balance Outstanding as at</i>	
	September 25, 2022	December 26, 2021
Key Management Personnel		
Share-based payments	\$ 355,095	\$ 296,241

Note 20. Acquisitions

On August 16, 2022, the Company acquired a majority of the assets of Paintbox LLC ("Paintbox") for initial equity consideration of \$1,100,000 plus potential additional payments through an earnout. Paintbox provides nail care services, and designs, develops and sells nail and self-care products.

Due to the timing of this acquisition, the purchase price allocation for Paintbox is provisional. The fair value assigned to the consideration paid and the other consideration payable, intangible assets and net assets acquired are provisional and based on management's best estimate using the information currently available and may be revised by the Company as additional information is received.

The following table summarizes the fair value of the consideration given and the fair values assigned to the assets acquired and liabilities assumed for the acquisition of Paintbox's assets. Goodwill arose in this acquisition as the transaction was determined to be a business combination in the scope of IFRS 3.

Cash and cash equivalents	\$17,575
Inventory	\$242,562
Tangible Capital Assets	\$819,550
Right of use assets	\$1,079,885
Goodwill	\$542,853
Current Liabilities	(\$522,540)
Lease liabilities	(\$1,079,885)
Net assets acquired	\$1,100,000
Consideration paid (equity instruments)	\$1,100,000
Other consideration (equity instruments)	\$ -
Total Consideration	\$1,100,000