

# MiniLuxe Holding Corp.

Consolidated Financial Statements for 13 and 39 weeks ended  
October 1, 2023 and September 25, 2022

(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.**  
**Consolidated Statements of Financial Position**  
**As at October 1, 2023 and January 1, 2023**  
**Unaudited, Amounts expressed in United States Dollars**

	Notes	October 1, 2023	January 1, 2023
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 2,143,836	\$ 8,178,375
Restricted cash		165,000	165,000
Inventories	7	1,594,710	1,702,822
Prepaid expenses and other current assets		621,627	672,717
<b>Total current assets</b>		<b>4,525,173</b>	<b>10,718,914</b>
Non-current assets:			
Property and equipment, net	8	6,323,345	6,256,604
Intangible assets	8	411,718	633,737
Goodwill	8	260,073	260,073
Tradename	8	948,000	948,000
Deposits		365,175	358,487
Long-term investment	18	50,000	50,000
Right-of-use assets, net	14	3,848,989	4,526,779
<b>Total non-current assets</b>		<b>12,207,300</b>	<b>13,033,680</b>
<b>Total assets</b>		<b>\$ 16,732,473</b>	<b>\$ 23,752,594</b>
<b>Equity and Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	10	2,787,766	\$ 2,638,163
Deferred revenue		2,185,333	2,406,644
Current portion of lease liabilities	14	1,515,008	1,513,440
<b>Total current liabilities</b>		<b>6,488,107</b>	<b>6,558,247</b>
Non-current liabilities:			
Lease liabilities	14	4,523,029	5,317,666
Loan payable	10	2,478,473	2,469,980
Contingent consideration	10, 18	291,526	630,081
<b>Total non-current liabilities</b>		<b>7,293,028</b>	<b>8,417,727</b>
<b>Total liabilities</b>		<b>13,781,135</b>	<b>14,975,974</b>
Shareholders' equity:			
Share capital	11	117,713,246	117,719,641
Contributed Surplus		1,067,819	798,576
Accumulated comprehensive loss		(115,829,727)	(109,741,597)
<b>Total equity</b>		<b>2,951,338</b>	<b>8,776,620</b>
<b>Total equity and liabilities</b>		<b>\$ 16,732,473</b>	<b>\$ 23,752,594</b>

See notes to consolidated financial statements.

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

*"Tony Tjan"*

*"Vernon Lobo"*

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Tony Tjan, Chairman and CEO

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Vernon Lobo, Director

**MiniLuxe Holding Corp.**  
**Consolidated Statements of Net Profit or Loss and Comprehensive Profit or Loss**  
**13 and 39 weeks ended October 1, 2023 and September 25, 2022**  
**Unaudited, Amounts expressed in United States Dollars**

	Notes	13 weeks ended		39 weeks ended	
		October 1, 2023	September 25, 2022	October 1, 2023	September 25, 2022
Revenue	5	\$ 6,413,940	\$ 5,578,756	\$ 18,017,191	\$ 15,471,774
Cost of sales		3,793,033	3,091,913	10,481,111	8,586,274
<b>Gross profit</b>		<b>2,620,907</b>	<b>2,486,843</b>	<b>7,536,080</b>	<b>6,885,500</b>
General and administrative expense	12	4,749,715	4,925,018	13,526,149	12,944,753
Depreciation and amortization expense	8, 14	864,459	758,721	2,566,343	2,249,748
<b>Operating loss</b>		<b>(2,993,267)</b>	<b>(3,196,896)</b>	<b>(8,556,412)</b>	<b>(8,309,001)</b>
Finance costs	10, 14	(324,866)	(346,488)	(1,002,108)	(1,032,194)
Other income	9	2,413	3,894	3,168,653	171,363
Unrealized gain/loss	21	389,725	-	338,555	-
<b>Loss before tax</b>		<b>(2,925,995)</b>	<b>(3,539,490)</b>	<b>(6,051,312)</b>	<b>(9,169,832)</b>
Income tax expense		(1,107)	(9,257)	(36,818)	(51,268)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (2,927,102)</b>	<b>\$ (3,548,747)</b>	<b>\$ (6,088,130)</b>	<b>\$ (9,221,100)</b>
<b>Basic earnings per share</b>	15				
Subordinate voting shares		\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.06)
Proportionate voting shares		\$ (19.90)	\$ (24.22)	\$ (41.38)	\$ (63.07)
<b>Basic weighted-average shares outstanding</b>					
Subordinate voting shares		56,042,837	55,458,390	56,046,974	55,134,347
Proportionate voting shares		91,064	91,064	91,064	91,064
<b>Diluted earnings per share</b>					
Subordinate voting shares		\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.06)
Proportionate voting shares		\$ (19.90)	\$ (24.22)	\$ (41.38)	\$ (63.07)
<b>Diluted weighted-average shares outstanding</b>					
Subordinate voting shares		56,042,837	55,458,390	56,046,974	55,134,347
Proportionate voting shares		91,064	91,064	91,064	91,064

See notes to consolidated financial statements

**MiniLuxe Holding Corp.**  
**Consolidated Statements of Changes in Shareholders' (Deficit) Equity**  
**39 weeks ended October 1, 2023 and September 25, 2022**  
**Unaudited, Amounts expressed in United States Dollars**

		Proportionate	Subordinate		Contributed	Accumulated	Total
		Voting Shares	Voting Shares	Amount	Surplus	Comprehensive Loss	Shareholders' (Deficit) Equity
<b>Balance at December 26, 2021</b>		<b>91,064</b>	<b>54,972,326</b>	<b>\$ 116,627,805</b>	<b>\$ 630,243</b>	<b>\$ (98,064,366)</b>	<b>\$ 19,193,682</b>
Share-based payments	13	-	-	-	116,360	-	116,360
Exercise of stock options	13	-	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)
<b>Balance at September 25, 2022</b>		<b>91,064</b>	<b>56,084,077</b>	<b>\$ 117,729,557</b>	<b>\$ 746,603</b>	<b>\$ (107,285,465)</b>	<b>\$ 11,190,695</b>
<b>Balance at January 1, 2023</b>		<b>91,064</b>	<b>56,054,077</b>	<b>\$ 117,719,641</b>	<b>\$ 798,576</b>	<b>\$ (109,741,597)</b>	<b>\$ 8,776,620</b>
Share-based payments	13	-	-	-	269,243	-	269,243
Exercise of stock options	13	-	21,873	4,537	-	-	4,537
Shares repurchased through normal course issuer bid	11	-	(33,113)	(10,932)	-	-	(10,932)
Net comprehensive loss		-	-	-	-	(6,088,130)	(6,088,130)
<b>Balance at October 1, 2023</b>		<b>91,064</b>	<b>56,042,837</b>	<b>\$ 117,713,246</b>	<b>\$ 1,067,819</b>	<b>\$ (115,829,727)</b>	<b>\$ 2,951,338</b>

See notes to consolidated financial statements

**MiniLuxe Holding Corp.**  
**Consolidated Statements of Cash Flows**  
**39 weeks ended October 1, 2023 and September 25, 2022**  
**Unaudited, Amounts expressed in United States Dollars**

	Notes	October 1, 2023	September 25, 2022
<b>Cash flows from operating activities:</b>			
Net loss		(6,088,130)	(9,221,100)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	8, 16	2,566,343	2,249,748
Share-based payments	13	269,243	116,360
Income tax expense		36,818	51,268
Loss on disposal of property and equipment	8	90,087	-
Loss on impairment of property and equipment	8	239,786	-
Real estate modifications	14	48,066	124,664
Change in fair value of contingent consideration	21	(338,555)	-
Interest expense	10	1,002,108	1,032,195
<i>Changes in operating assets and liabilities</i>			
Inventories	7	108,112	200,468
Prepaid expenses and other current assets		51,090	(80,179)
Deposits		(6,687)	(233,089)
Accounts payable and accrued expenses	10	100,597	(194,198)
Deferred revenue	4	(221,311)	(17,356)
<i>Changes in operating assets and liabilities subtotal</i>		(2,142,433)	(5,971,219)
Interest paid		(712,365)	(743,674)
Taxes paid		(36,564)	(59,832)
<b>Cash flows used in operating activities</b>		<b>(2,891,362)</b>	<b>(6,774,725)</b>
<b>Cash flows from investing activities:</b>			
Acquisition of equipment	8	(1,476,754)	(214,372)
Acquisition of ROU Asset		-	(36,606)
Acquisition of cash from business combination		-	14,873
Acquisition of intangibles	8	(239,786)	(383,444)
<b>Cash flows used in investing activities</b>		<b>(1,716,540)</b>	<b>(619,549)</b>
<b>Cash flows from financing activities:</b>			
Repayment of loan payable	10	(281,250)	(281,250)
Repayment of principal portion of lease liabilities	14	(1,138,993)	(949,146)
Shares repurchased through NCIB	11	(10,932)	-
Option exercises	13	4,538	1,751
<b>Net cash (used in) provided by financing activities</b>		<b>(1,426,637)</b>	<b>(1,228,645)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(6,034,539)</b>	<b>(8,622,919)</b>
Cash, cash equivalents and restricted cash, beginning of period		8,343,375	19,120,111
Cash, cash equivalents and restricted cash, ending of period		2,308,836	10,497,192

See notes to consolidated financial statements

**MiniLuxe Holding Corp.**  
**Notes to the Consolidated Financial Statements**  
**13 and 39 weeks ended October 1, 2023 and September 25, 2022**

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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, Massachusetts.

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

Under an accounting convention common in the retail industry, the fiscal year of the Company is a 52-week reporting cycle ending on the Sunday closest to December 31, which periodically necessitates a fiscal year of 53 weeks. The third fiscal quarter of 2023 began on July 3, 2023 and ended on October 1, 2023.

The consolidated financial statements of MiniLuxe Holding Corp. for the 13 and 39 weeks ended October 1, 2023 and September 25, 2022 were authorized by the Company's board of directors on November 30, 2023.

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

**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 January 1, 2023 and 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 years ended January 1, 2023 and December 26, 2021.

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

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

**Going Concern**

The interim financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is dependent upon the Company's ability to successfully generate profit from operations, or to finance its cash requirements through equity financing, debt financing or rights offerings from existing shareholders. There is no assurance that the Company will be successful in generating profits or raising sufficient funds through financing.

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 and 39 weeks ended October 1, 2023 and September 25, 2022**

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**Note 2. Basis of Presentation (continued)**

The Company has incurred total comprehensive losses of \$6,473,220 and negative cash flows from operations of \$2,891,362 for the 39 weeks ended October 1, 2023, and has an ending balance of cash and cash equivalents of \$2,308,836 as at October 1, 2023. Ending accumulated comprehensive loss is \$115,829,727. As a result, these material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. These interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

**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 years ended January 1, 2023 and 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.

**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 years ended January 1, 2023 and December 26, 2021.

**Note 5. Segment information**

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

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

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	<u>October 1, 2023</u>	<u>September 25, 2022</u>	<u>October 1, 2023</u>	<u>September 25, 2022</u>
Talent revenue	\$ 6,264,377	\$ 5,531,658	\$ 17,597,850	\$ 15,306,888
Product revenue	149,563	47,098	419,341	164,886
	<u>\$ 6,413,940</u>	<u>\$ 5,578,756</u>	<u>\$ 18,017,191</u>	<u>\$ 15,471,774</u>

**Note 6. Capital Management**

No changes were made in the objectives, policies or processes for managing capital during the 39 weeks ended October 1, 2023 and September 25, 2022. Please refer to "Note 7 – Capital Management" to the financial statements for the years ended January 1, 2023 and December 26, 2021.

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 and 39 weeks ended October 1, 2023 and September 25, 2022**

**Note 7. Inventories**

Inventory consisted of the following as of October 1, 2023 and January 1, 2023:

	October 1, 2023	January 1, 2023
Merchandise and retail products	\$ 735,258	\$ 760,002
Inventory supplies	189,730	297,306
Polish	325,807	309,473
Raw materials	343,915	336,041
Total inventories	<u>\$ 1,594,710</u>	<u>\$ 1,702,822</u>
Inventory write-downs	<u>\$ 34,798</u>	<u>\$ 104,599</u>

There have been no reversals of inventory write-downs for the 39 weeks ending October 1, 2023 or September 25, 2022.

Inventory recognized as an expense in cost of sales is \$388,767 and \$338,931 for the 13 weeks ending October 1, 2023 and September 25, 2022, respectively. Inventory recognized as an expense in cost of sales is \$1,186,172 and \$984,137 for the 39 weeks ending October 1, 2023 and September 25, 2022, respectively.

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

Property and equipment, net consists of the following as of October 1, 2023 and January 1, 2023:

	Furniture, Fixtures & Equipment	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>				
<b>At January 1, 2023</b>	\$ 2,269,482	\$ 15,743,129	\$ -	18,012,611
Additions	38,400	21,430	375,513	435,343
<b>At April 2, 2023</b>	<u>\$ 2,307,882</u>	<u>\$ 15,764,559</u>	<u>\$ 375,513</u>	<u>\$ 18,447,954</u>
Additions	172,368	391,108	15,870	579,346
Transfers	-	340,915	(340,915)	-
Disposals	-	(90,087)	-	(90,087)
<b>At July 2, 2023</b>	<u>\$ 2,480,250</u>	<u>\$ 16,406,495</u>	<u>\$ 50,468</u>	<u>\$ 18,937,213</u>
Additions	37,314	10,208	414,542	462,064
<b>At October 1, 2023</b>	<u>\$ 2,517,564</u>	<u>\$ 16,416,703</u>	<u>\$ 465,010</u>	<u>\$ 19,399,277</u>
<b>Depreciation</b>				
<b>At January 1, 2023</b>	\$ 1,897,233	\$ 9,858,774	\$ -	\$ 11,756,007
Depreciation charge for the quarter	39,402	376,612	-	416,014
<b>At April 2, 2023</b>	<u>\$ 1,936,635</u>	<u>\$ 10,235,386</u>	<u>\$ -</u>	<u>\$ 12,172,021</u>
Depreciation charge for the year	49,038	400,050	-	449,088
Disposals	-	(687)	-	(687)
<b>At July 2, 2023</b>	<u>\$ 1,985,673</u>	<u>\$ 10,634,749</u>	<u>\$ -</u>	<u>\$ 12,620,422</u>
Depreciation charge for the year	53,108	402,402	-	455,510
<b>At October 1, 2023</b>	<u>\$ 2,038,781</u>	<u>\$ 11,037,151</u>	<u>\$ -</u>	<u>\$ 13,075,932</u>
<b>Net book value</b>				
<b>At January 1, 2023</b>	<u>\$ 372,249</u>	<u>\$ 5,884,355</u>	<u>\$ -</u>	<u>\$ 6,256,604</u>
<b>At October 1, 2023</b>	<u>\$ 478,783</u>	<u>\$ 5,379,552</u>	<u>\$ 465,010</u>	<u>\$ 6,323,345</u>

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 and 39 weeks ended October 1, 2023 and September 25, 2022**

**Note 8. Property and Equipment, net and Intangible Assets (continued)**

Transfers of \$340,915 from Construction in Progress to Leasehold Improvements were made when construction was completed on the Company's new Tampa studio location.

Intangible assets consists of the following as of October 1, 2023 and January 1, 2023:

	Website	Goodwill	Tradename	Tech Platform	Total
<b>Cost</b>					
<b>At January 1, 2023</b>	\$ 888,072	\$ 260,073	\$ 948,000	\$ -	2,096,145
Additions	-	-	-	20,000	20,000
<b>At April 2, 2023</b>	\$ 888,072	\$ 260,073	\$ 948,000	\$ 20,000	\$2,116,145
Additions	-	-	-	\$ 219,786	219,786
<b>At July 2, 2023</b>	\$ 888,072	\$ 260,073	\$ 948,000	\$ 239,786	\$2,335,931
Impairment	-	-	-	(239,786)	(239,786)
<b>At October 1, 2023</b>	\$ 888,072	\$ 260,073	\$ 948,000	\$ -	\$2,096,145
<b>Depreciation</b>					
<b>At January 1, 2023</b>	\$ 254,335	\$ -	\$ -	\$ -	\$ 254,335
Depreciation charge for the period	74,007	-	-	-	74,007
<b>At April 2, 2023</b>	\$ 328,342	\$ -	\$ -	\$ -	\$ 328,342
Depreciation charge for the period	74,006	-	-	-	74,006
<b>At July 2, 2023</b>	\$ 402,348	\$ -	\$ -	\$ -	\$ 402,348
Depreciation charge for the period	74,006	-	-	-	74,006
<b>At October 1, 2023</b>	\$ 476,354	\$ -	\$ -	\$ -	\$ 476,354
<b>Net book value</b>					
<b>At January 1, 2023</b>	\$ 633,737	\$ 260,073	\$ 948,000	\$ -	\$1,841,810
<b>At October 1, 2023</b>	\$ 411,718	\$ 260,073	\$ 948,000	\$ -	\$1,619,791

During the 39 weeks ended October 1, 2023, management had noted indicators of impairment for the Tech Platform intangible asset as the decision was made on August 4, 2023 to discontinue the use of the asset. The recoverable amount of the intangible asset was estimated using the value in use approach which resulted in a fair value of \$0. As a result, the Company recognized an impairment loss of \$239,786 within general and administrative expenses on the Consolidated Statements of Net Profit or Loss and Comprehensive Profit or Loss for the period ended October 1, 2023.

**Note 9. Government Grants**

In March of 2022 and January of 2023, the Company received a refundable payroll tax credit, the Employee Retention Credit, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$164,222 and \$3,159,560 respectively.

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

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 and 39 weeks ended October 1, 2023 and September 25, 2022**

**Note 10. 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.

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

	Interest Rate	Maturity	October 1, 2023	January 1, 2023
<b>Current interest-bearing loans and borrowings</b>				
Lease liabilities	15%	2023	\$ 1,515,008	\$ 1,513,440
<b>Total current interest-bearing loans and borrowings</b>			<b>1,515,008</b>	<b>1,513,440</b>
<b>Non-current interest-bearing loans and borrowings</b>				
Lease liabilities	15%	2024-2033	4,523,029	5,317,666
Loan Payable	15%	2025	2,478,473	2,469,980
<b>Total non-current interest-bearing loans and borrowings</b>			<b>7,001,502</b>	<b>7,787,646</b>
<b>Total interest-bearing loans and borrowings</b>			<b>8,516,510</b>	<b>9,301,086</b>
<b>Financial liabilities at amortized cost, other than interest-bearing loans and borrowings</b>				
Accounts payable and accrued expenses			2,787,766	2,638,163
Contingent consideration			291,526	630,081
<b>Total other financial liabilities</b>			<b>\$ 3,079,292</b>	<b>\$ 3,268,244</b>
<b>Total current</b>			<b>\$ 4,302,774</b>	<b>\$ 4,151,603</b>
<b>Total non-current</b>			<b>\$ 7,293,028</b>	<b>\$ 8,417,727</b>

**MiniLuxe Holding Corp.**  
**Notes to the Financial Statements**  
**13 and 39 weeks ended October 1, 2023 and September 25, 2022**

**Note 10. Financial Instruments (continued)**

**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 and 26 weeks ended October 1, 2023 was \$96,691 and \$289,742 respectively (13 and 26 weeks ended September 25, 2022 – \$96,268 and \$288,521 respectively).

**Accounts payable and accrued expenses**

	October 1, 2023	January 1, 2023
Accounts payable	1,012,139	869,094
Other payables and accrued expenses	1,719,722	1,707,312
Variable rent	55,905	61,757
<b>\$</b>	<b>2,787,766</b>	<b>\$ 2,638,163</b>

Terms and conditions of the above financial liabilities:

- Accounts payable 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 October 1, 2023 and September 25, 2022 are summarized in the following table:

	13 weeks ended		39 weeks ended	
	October 1, 2023	September 25, 2022	October 1, 2023	September 25, 2022
Lease adjustments	228,175	250,220	712,365	743,673
Senior debt interest	96,691	96,268	289,742	288,521
<b>\$</b>	<b>324,866</b>	<b>\$ 346,488</b>	<b>\$ 1,002,108</b>	<b>\$ 1,032,194</b>

**Note 11. Share Capital**

As of October 1, 2023 and January 1, 2023, the Company has authorized an unlimited number of subordinate and proportionate voting shares. The holders of the subordinate and proportionate voting shares are entitled to vote on all matters. The holders of the subordinate voting shares are entitled to the number of votes equal to the number shares held. The holders of the proportionate voting shares are entitled to 1,000 votes for each share held. As of October 1, 2023, there were 56,042,837 subordinate voting shares and 91,064 proportionate voting shares issued and outstanding (January 1, 2023 – 56,054,077 subordinate voting shares and 91,064 proportionate voting shares issued and outstanding).

During the 39 weeks ended October 1, 2023, the Company acquired a total of 33,113 subordinate voting shares for CAD \$14,855 under its Normal Course Issuer Bid (“NCIB”) announced on September 19, 2022. As noted in the press release, the NCIB commenced on September 20, 2022 and will terminate upon the earliest of (i) the Company purchasing 2,800,000 subordinate voting shares, (ii) the Company providing notice of termination of the NCIB, and (iii) September 20, 2023. Under the NCIB, the Company may not acquire more than 2% of its issued and outstanding subordinate voting shares in any 30-day period.

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**Note 12. General and Administrative Expenses**

General and administrative expenses are comprised of the following:

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	October 1, 2023	September 25, 2022	October 1, 2023	September 25, 2022
Salaries, wages and employee benefits	\$ 2,474,896	\$ 2,271,093	\$ 6,860,149	\$ 6,166,685
Professional fees	310,202	591,173	744,047	1,378,306
Variable rent	303,588	239,107	849,325	697,444
Marketing and selling expenses	243,749	427,197	750,476	894,044
Loss on impairment of property and equipment	239,786	-	239,786	-
IT related costs	224,449	318,040	694,937	715,894
Bank and credit card fees	185,262	161,819	514,748	455,237
Insurance, permits and fines	146,065	113,808	394,808	312,259
Operating supplies	136,466	143,490	471,321	354,813
Warehouse	103,873	108,110	346,011	333,170
Repairs and maintenance	103,356	118,685	358,493	393,801
HR, payroll and recruiting fees	101,443	146,594	363,560	544,546
Stock compensation	68,530	88,738	269,243	116,360
Travel, meals and entertainment	51,391	124,403	337,538	303,447
Equipment	34,525	26,614	100,096	87,289
Listing costs	12,252	-	38,496	84,688
Other expenses	9,882	46,147	103,028	106,770
Loss on disposal of property and equipment	-	-	90,087	-
<b>Total general and administrative expense</b>	<b>\$ 4,749,715</b>	<b>\$ 4,925,018</b>	<b>\$ 13,526,149</b>	<b>\$ 12,944,753</b>

**Note 13. 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 October 1, 2023 and January 1, 2023.

Options to purchase 7,543,432 subordinate voting shares were available for issuance under the Plan as of October 1, 2023 and 6,596,591 as of January 1, 2023. No RSUs, DSUs or PSUs were issued and outstanding as of October 1, 2023 or January 1, 2023.

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**Note 13. Share-based payments (continued)**

Stock option activity under the Plan during the 39 weeks ended October 1, 2023 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (in years)
Outstanding at January 1, 2023	7,963,205	\$0.20	8.0
Granted	1,053,000	0.45	
Exercised	(21,873)	0.21	
Forfeited	(13,011)	0.19	
Cancelled	-	-	
Outstanding at April 2, 2023	8,981,321	\$ 0.23	7.80
Granted	-	-	
Exercised	-	-	
Forfeited	(22,500)	0.38	
Cancelled	-	-	
Outstanding at July 2, 2023	8,958,821	\$ 0.23	7.51
Granted	70,509	0.13	
Exercised	-	-	
Forfeited	(71,509)	0.14	
Cancelled	(1,963,330)	0.23	
Outstanding at October 1, 2023	6,994,491	\$ 0.23	7.62
Options exercisable at October 1, 2023	6,573,441	\$ 0.19	7.19

There were 1,053,000 stock options granted in the 39 weeks ended October 1, 2023. There are no RSUs, DSUs or PSUs outstanding as of October 1, 2023.

In the 39 weeks ended October 1, 2023, 21,873 stock options were exercised. In the year ended January 1, 2023, 43,790 stock options were exercised.

The Company recognized \$269,243 in stock-based compensation expense for the 39 weeks ended October 1, 2023 (39 weeks ended September 25, 2022 - \$116,360). As of October 1, 2023, there was approximately \$178,316 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 2.0 years.

**Note 14. Leases**

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

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

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**Note 14. 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
<b>As at January 1, 2023</b>	\$ 4,526,686	\$ 93	\$ 4,526,779
Modifications	2,000	-	2,000
Depreciation expense	(339,672)	(93)	(339,764)
<b>As at April 2, 2023</b>	\$ 4,189,015	\$ -	\$ 4,189,015
Additions	369,957		369,957
Depreciation expense	(349,006)		(349,006)
<b>At July 2, 2023</b>	\$ 4,209,966	\$ -	\$ 4,209,966
Modifications	(26,033)		(26,033)
Depreciation expense	(334,943)		(334,943)
<b>At October 1, 2023</b>	\$ 3,848,989	\$ -	\$ 3,848,989

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 FY2022:

	October 1, 2023	January 1, 2023
<b>Balance as of beginning of period</b>	\$ 6,831,106	\$ 6,890,782
Additions	369,957	1,129,444
Modifications	(24,033)	57,961
Accretion of interest	712,365	995,843
Payments	(1,851,358)	(2,242,924)
<b>Balance as of end of period</b>	\$ 6,038,037	\$ 6,831,106
Current	1,515,008	\$ 1,513,440
Non-Current	4,523,029	\$ 5,317,666

The following are the amounts recognized in profit or loss for the 13 and 39 weeks ended October 1, 2023 and September 25, 2022:

	13 weeks ended		39 weeks ended	
	October 1, 2023	September 25, 2022	October 1, 2023	September 25, 2022
Depreciation expense of right-of-use assets	\$ 334,943	\$ 302,368	\$ 1,023,714	\$ 901,816
Interest expense on lease liabilities	228,175	250,220	712,365	743,674
Expense relating to leases of low-value assets	7,764	7,672	23,851	25,035
Variable rent	303,588	239,107	849,325	697,444
<b>Total amount recognized in comprehensive loss</b>	<b>\$ 874,470</b>	<b>\$ 799,367</b>	<b>\$ 2,609,255</b>	<b>\$ 2,367,969</b>

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 October 1, 2023 or September 25, 2022.

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.

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**Note 15. Earnings per share (EPS)**

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

Instruments at the Company that could potentially dilute basic earnings per share include stock options, and warrants. For the 39 weeks ended October 1, 2023 and September 25, 2022, the stock options and warrants are anti-dilutive in nature.

Each of the proportionate voting shares is convertible into 1,000 subordinate voting shares at the option of the holder.

The calculation and presentation below is based on the number of shares outstanding at October 1, 2023, 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 15. Earnings per share (EPS) (continued)**

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

	October 1, 2023		September 25, 2022		October 1, 2023		September 25, 2022	
	Subordinate Voting Shares	Proportionate Voting Shares	Subordinate Voting Shares	Proportionate Voting Shares	Subordinate Voting Shares	Proportionate Voting Shares	Subordinate Voting Shares	Proportionate Voting Shares
<b>Loss attributable to common equity holders of the Company (Basic)</b>	\$ (1,115,133)	\$ (1,811,969)	\$ (1,343,197)	\$ (2,205,550)	\$ (2,319,489)	\$ (3,768,641)	\$ (3,477,474)	\$ (5,743,626)
Weighted average number of common stock for basic EPS	56,042,837	91,064	55,458,390	91,064	56,046,974	91,064	55,134,347	91,064
<b>Basic earnings per share</b>	<b>\$ (0.02)</b>	<b>\$ (19.90)</b>	<b>\$ (0.02)</b>	<b>\$ (24.22)</b>	<b>\$ (0.04)</b>	<b>\$ (41.38)</b>	<b>\$ (0.06)</b>	<b>\$ (63.07)</b>
<b>Loss attributable to common equity holders of the Company (Diluted)</b>	\$ (1,115,133)	\$ (1,811,969)	\$ (1,343,197)	\$ (2,205,550)	\$ (2,319,489)	\$ (3,768,641)	\$ (3,477,474)	\$ (5,743,626)
Weighted average number of common stock for diluted EPS	56,042,837	91,064	55,458,390	91,064	56,046,974	91,064	55,134,347	91,064
<b>Diluted earnings per share</b>	<b>\$ (0.02)</b>	<b>\$ (19.90)</b>	<b>\$ (0.02)</b>	<b>\$ (24.22)</b>	<b>\$ (0.04)</b>	<b>\$ (41.38)</b>	<b>\$ (0.06)</b>	<b>\$ (63.07)</b>
<b>Weighted average number of common stock for basic EPS</b>								
<b>Issued common stock at start of period</b>	56,042,837	91,064	54,972,326	91,064	56,054,077	91,064	54,972,326	91,064
Effect of share options exercised	-	-	16,631	-	20,351	-	5,543	-
Effect of business comb. share issuance	-	-	469,433	-	-	-	156,478	-
Effect of NCIB purchases	-	-	-	-	(27,454)	-	-	-
<b>Weighted average number of common stock end of year (basic)</b>	<b>56,042,837</b>	<b>91,064</b>	<b>55,458,390</b>	<b>91,064</b>	<b>56,046,974</b>	<b>91,064</b>	<b>55,134,347</b>	<b>91,064</b>
<b>Effects of dilution from:</b>								
Effect of share options issued	-	-	-	-	-	-	-	-
Effect of contingently issuable shares	-	-	-	-	-	-	-	-
<b>Weighted average number of common stock end of year (dilutive)</b>	<b>56,042,837</b>	<b>91,064</b>	<b>55,458,390</b>	<b>91,064</b>	<b>56,046,974</b>	<b>91,064</b>	<b>55,134,347</b>	<b>91,064</b>

**Note 16. 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 17. 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 39 weeks ended October 1, 2023 and September 25, 2022.

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**Note 18. Fair Value Measurement**

The Company measures its long-term investments and contingently issuable 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 Using			
	Date of Valuation	Total	Quoted priced in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets measured at fair value</b>					
Long term investment	October 1, 2023	\$ 50,000	\$ -	\$ -	\$ 50,000
	January 1, 2023	\$ 50,000	\$ -	\$ -	\$ 50,000
<b>Liabilities measured at fair value</b>					
Contingent consideration - Paintbox	October 1, 2023	\$ 291,526	\$ -	\$ -	\$ 291,526
	January 1, 2023	\$ 630,081	\$ -	\$ -	\$ 630,081

There were no transfers between Level 1 and Level 2 during the 39 weeks ended October 1, 2023.

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

**Note 19. 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.

For a summary of other risks, refer to "Note 21 – Risk Management" to the financial statements for the years ended January 1, 2023 and December 26, 2021.

**MiniLuxe Holding Corp.**  
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**Note 20. Related Party Transactions**

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

	<i>Transaction value for 13 weeks ended</i>		<i>Transaction value for 26 weeks ended</i>	
	<b>October 1, 2023</b>	<b>September 25, 2022</b>	<b>October 1, 2023</b>	<b>September 25, 2022</b>
<b>Key Management Personnel</b>				
Short-term benefits	\$ 325,032	\$ 261,724	\$ 1,029,750	\$ 768,633
Share-based payments	22,230	37,304	108,835	58,854
Total	<u>\$ 347,262</u>	<u>\$ 299,028</u>	<u>\$ 1,138,585</u>	<u>\$ 827,487</u>

	<i>Balance Outstanding as of</i>	
	<b>October 1, 2023</b>	<b>September 25, 2022</b>
<b>Key Management Personnel</b>		
Share-based payments	\$ 586,664	349,470

**Note 21. Acquisitions**

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

As part of the acquisition of Paintbox, the Company included an indemnity holdback to offset any damages claimed against the Company during the first 18 months following the closing date. After this date the remaining balance of the holdback will be released and paid in shares of the Company. The fair value of the indemnity holdback at acquisition has been determined by calculating the present value of the amount using the Company's cost of debt over the 18-month holdback period. The fair value has been calculated as \$185,267 and is included as contingent consideration on the Consolidated Statements of Financial Position.

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

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**Note 21. Acquisitions (continued)**

As part of the acquisition, there is an earn-out clause which becomes applicable if the Company has revenue above the earn-out thresholds. The earn-out period ends December 31, 2026. The amount of the earn-out is calculated as 0.115 multiplied by the amount by which the aggregate revenue earned from the closing date to the end of the earn-out period exceeds the earn-out threshold of \$3,000,000. The amount of the earnout will not exceed \$1,800,000. The Company recorded the earn-out at fair value based on management's best estimate of future performance and will pay this out at the end of the earn-out period in shares of the Company. The earnout has been recorded at fair value using the Company's pre tax cost of debt over the earn-out period. The fair value has been calculated as \$359,073 as of FY 2022 and is included as contingent consideration on the Consolidated Statements of Financial Position.

During the 13 weeks ended October 1, 2023 the Company recognized \$389,725 in income upon revaluation of the earn-out (39 weeks ended October 1, 2023 - \$338,555). This amount was included in unrealized gain/loss in Consolidated Statements of Net Profit or Loss and Comprehensive Profit or Loss. The fair value of the earn-out as of Q3 2023 is \$20,518.

**Note 22. Significant Events**

During Q2 2023, the Company completed construction and commenced operations in a new studio location in West Central Florida, at the Water Street Development in downtown Tampa Bay, FL. The grand opening of the studio occurred on May 11, 2023 as MiniLuxe celebrated its 21<sup>st</sup> studio location opening, the first since the pandemic.

During the 39 weeks ended October 1, 2023, the Company signed a lease to open a new studio in Dedham, Massachusetts at the Legacy Place Development. The lessor has not yet made the studio available for use.

**Note 23. Subsequent Events**

On November 10, 2023, the Company received preliminary approval from the TSX Venture Exchange (the "Exchange") to provide a non-brokered private placement offering of up to \$10M in subordinated convertible debentures, to be closed by April 15, 2024. The debentures will have a 42 month term and be convertible into subordinate voting shares of the Company at a price equal to USD\$0.52. The debentures bear interest at 11.5% per annum accrued until maturity and payable via cash or shares as well as warrant coverage in the amount of 15% of principal invested. On November 30, 2023, the Company announced completion of an initial closing under the offering for approximately \$2.5 million in gross proceeds with indications of interest commitments for an incremental ~\$1.0 million to be completed in one or more additional tranches of the offering.