KITS EYECARE LTD.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended September 30, 2023 and September 30, 2022

(in thousands of Canadian Dollars, except share and per share data)

(Unaudited)

KITS EYECARE LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands of Canadian Dollars, except share and per share data)

(Unaudited)

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue (Note 3)	$ 31,150	$ 23,578	$ 88,847	$ 65,400
Cost of sales	20,473	16,365	59,134	45,057
Gross profit	10,677	7,213	29,713	20,343
Fulfillment	3,931	3,156	11,190	9,124
Marketing	4,255	3,346	12,356	9,374
General and administrative	2,033	2,124	5,937	6,013
Exchange (gain) loss	(725)	(2,156)	89	(2,733)
Depreciation and amortization	513	577	1,608	1,695
Operating income (loss)	670	166	(1,467)	(3,130)
Finance costs - net	118	396	725	1,185
Income (Loss) before income taxes	552	(230)	$ (2,192)	$ (4,315)
Income taxes (Note 11)	72	(250)	(468)	(1,148)
Net income (loss) for the period	$ 480	$ 20	$ (1,724)	$ (3,167)
Earnings (Loss) per share (Note 12)				
Basic	$ 0.02	$ 0.00	$ (0.05)	$ (0.10)
Diluted	$ 0.01	$ 0.00	$ (0.05)	$ (0.10)
Weighted average number of shares outstanding (Note 12)				
Basic	31,398,691	31,283,213	31,382,923	31,261,874
Diluted	33,234,812	31,283,213	31,382,923	31,261,874

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

KITS EYECARE LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian Dollars, except share and per share data)

(Unaudited)

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net income (loss) for the period	$ 480	$ 20	$ (1,724)	$ (3,167)
Other comprehensive income for the period:				
Items that may be reclassified to profit or loss				
Currency translation differences	587	1,984	(50)	2,546
Total comprehensive income (loss) for the period	$ 1,067	$ 2,004	$ (1,774)	$ (621)

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

KITS EYECARE LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian Dollars, except share and per share data)
(Unaudited)

	September 30, 2023	December 31, 2022 Audited
Assets		
Current assets		
Cash and cash equivalents	$ 19,299	$ 18,790
Accounts and other receivables	1,003	897
Inventory (Note 6)	15,423	16,414
Tax receivable	9	20
Prepaids, deposits and other assets	553	877
Total current assets	36,287	36,998
Property and equipment	2,542	2,828
Right-of-use asset (Note 7)	6,590	7,209
Deferred tax asset (Note 11)	5,594	5,122
Intangible assets (Note 13)	1,817	2,939
Goodwill (Note 13)	38,701	38,769
Total assets	$ 91,531	$ 93,865
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 17,742	$ 16,809
Tax payable	421	422
Deferred revenue (Note 3)	4,271	3,487
Loan (Note 4(a))	3,052	3,099
Lease liability (Note 7)	673	623
Total current liabilities	26,159	24,440
Loan (Note 4(a))	5,868	8,158
Promissory note (Note 4(b))	1,996	1,884
Lease liability (Note 7)	5,157	5,674
Total liabilities	39,180	40,156
Shareholders' equity		
Share capital (Note 8)	77,265	76,985
Contributed surplus (Note 9)	2,999	2,863
Retained deficit	(27,423)	(25,699)
Accumulated other comprehensive loss	(490)	(440)
Total shareholders' equity	52,351	53,709
Total liabilities and shareholders' equity	$ 91,531	$ 93,865

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

Contingencies – Note 14

KITS EYECARE LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian Dollars, except share and per share data)

(Unaudited)

	Share Capital		Contributed	Retained	Accumulated other	
	Common shares		surplus	earnings (deficit)	comprehensive	Total
	Shares	Amount				
Balance at December 31, 2021	31,156,380	$ 76,592	$ 1,937	$ (21,147)	$ (2,597)	$ 54,785
Share-based payments (Note 9)	-	-	976	-	-	976
RSR exercise (Note 8)	130,170	337	(337)	-	-	-
Net loss and comprehensive income	-	-	-	(3,167)	2,546	(621)
Balance as at September 30, 2022	31,286,550	$ 76,929	$ 2,576	$ (24,314)	$ (51)	$ 55,140
Balance as at December 31, 2022	31,316,452	$ 76,985	$ 2,863	$ (25,699)	$ (440)	53,709
Share-based payments (Note 9)	-	-	394	-	-	394
RSR exercise (Note 8)	78,706	244	(244)	-	-	-
Shares issued due to options	8,334	36	(14)	-	-	22
Net loss and comprehensive loss	-	-	-	(1,724)	(50)	(1,774)
Balance as at September 30, 2023	31,403,492	$ 77,265	$ 2,999	$ (27,423)	$ (490)	$ 52,351

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

KITS EYECARE LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars, except share and per share data)

(Unaudited)

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Operating activities				
Net Income / (Loss)	$ 480	$ 20	$ (1,724)	$ (3,167)
Items not affecting cash:				
Share-based payments (Note 9)	(118)	308	394	976
Depreciation of property and equipment and right-of-use assets	442	460	1,283	1,347
Amortization of intangible assets (Note 13)	334	424	1,113	1,251
Finance costs	388	422	1,195	1,237
Income taxes	72	(250)	(468)	(1,148)
Unrealized foreign exchange (gain) / loss	(116)	(385)	13	(485)
Changes in non-cash operating working capital:				
Accounts receivable	(180)	(440)	(106)	(299)
Inventory	(998)	1,041	991	1,170
Prepaid expenses and other assets	(26)	267	324	362
Accounts payable and accrued liabilities	356	1,014	933	3,012
Deferred revenue	619	570	784	428
Income tax refund received	-	401	11	401
Cash provided by / (used in) by operating activities	**1,253**	**3,852**	**4,743**	**5,085**
Financing activities				
Repayment of lease obligation (Note 7)	(272)	(269)	(811)	(794)
Repayment of loan (Note 4(a))	(1,011)	(1,029)	(3,076)	(3,039)
Proceeds from exercise of stock options	22	-	22	-
Cash used in financing activities	**(1,261)**	**(1,298)**	**(3,865)**	**(3,833)**
Investing activities				
Purchase of property and equipment	(110)	(88)	(399)	(197)
Cash used in investing activities	**(110)**	**(88)**	**(399)**	**(197)**
Increase / (decrease) in cash and cash equivalents	**(118)**	**2,466**	**479**	**1,055**
Foreign exchange effect on cash and cash equivalents	(409)	(955)	30	(1,158)
Cash and cash equivalents, beginning of period	19,826	18,891	18,790	20,505
Cash and cash equivalents, end of period	**$ 19,299**	**$ 20,402**	**$ 19,299**	**$ 20,402**

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

1. Nature of operations

Kits Eyecare Ltd. (the "Company" or ”KITS”) is vertically integrated, digitally native eyecare platform, with sales primarily in the United States and Canada. The Company was incorporated under the Business Corporations Act (British Columbia) on October 19, 2018 with its registered headquarters located at 1020 - 510 Seymour Street, Vancouver, BC, V6B 3J5.

The Company is listed on the Toronto Stock Exchange (the “TSX”) under the symbol “KITS”.

2. Basis of preparation and statement of compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34).

These condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements for the year ended December 31, 2022, as some disclosures from the annual consolidated financial statements have been condensed or omitted. There are no IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company’s condensed interim consolidated financial statements.

From July 1, 2022 onwards, the Company has presented exchange gain/loss separately with its comparatives which was previously included within general and administrative expense. The Company is making this change in classification in order to align and better reflect these expenses within the operating results of the Company. There is no change to consolidated net income (loss) or cash flows as a result of this change in classification.

On November 7, 2023, the Board of Directors authorized these condensed interim consolidated financial statements for issuance.

Critical accounting estimates and judgements
In preparing these condensed interim consolidated financial statements management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant estimates and judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the most recent annual consolidated financial statements.

3. Segment information and deferred revenue

The Company operates in a single reportable operating segment, being the sale of eyewear products to consumers.

Geographic information
The Company determines the geographic location of revenue based on the location of its customers. For the three and nine months ended September 30, 2023, the US/CDN exchange rate appreciated by 2.7% and 4.7% (2022: 3.5% and 2.5%).

	Three months ended September 30, 2023		Nine months ended September 30, 2023	
	2023	2022	2023	2022
United States	$ 20,442	$ 16,206	$ 62,405	$ 45,047
Canada and other	10,708	7,372	26,442	20,353
Total	$ 31,150	$ 23,578	$ 88,847	$ 65,400

All of the Company's non-current assets are located in Canada.

Deferred revenue

Deferred revenue consists of credit vouchers of $1,062 (December 31, 2022: $938), unfulfilled orders of $2,269 (December 31, 2022: $2,017) and allowance for estimated returns of $940 (December 31, 2022: $532). Credit vouchers relate to vouchers that have been issued or sold to customers. Revenue from credit vouchers is recognized when the vouchers are redeemed, when the likelihood of redemption becomes remote, or when the vouchers expire.

Revenue by product

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Contact Lenses	$ 27,183	$ 20,408	$ 77,985	$ 56,807
Glasses	3,967	3,170	10,862	8,593
Total	$ 31,150	$ 23,578	$ 88,847	$ 65,400

4. Financial liabilities

(a) Loan

The Company entered into a secured loan agreement (the "BDC Loan") for $23.4 million with BDC Capital Inc. ("BDC") on March 26, 2019, with a repayment date of April 15, 2026 and a monthly contractual principal payment of $250. Effective as of January 15, 2021, this loan bears interest at the BDC floating rate plus a variance of 4.45% per annum and is payable on a monthly basis. As at September 30, 2023, the BDC floating rate was 8.30% (2022: 7.55%). The Company is required to make a one-time payment to BDC equal to 0.45% of the Company's annual gross sales at maturity. The BDC Loan is secured by a first ranking security interest in all present and after acquired personal property and all present and future intellectual property of the Company.

The Company is subject to various covenants under the BDC Loan, including requirements to maintain certain financial ratios. The BDC Loan is in good standing as of the date hereof.

As at September 30, 2023, the carrying amount of the loan is $8,920 (2022: $11,257). For the three and nine months ended September 30, 2023, the Company made repayments of $1,011 and $3,076 (2022: $1,029 and $3,039) and recognized $236 and $738 (2022: $262 and $741) of interest expense in finance costs. Interest expense is calculated by applying the effective interest rate of 10.40% (2022: 8.92%).

(b) Promissory note

On January 18, 2021, the Company issued 15,314,709 common shares in connection with the conversion of all the Company's Class A, B and C preferred shares and a promissory note of $2,412 (the "Promissory Note") which are the accrued dividends payable to the holders of the preferred shares. The Promissory Note bears no interest and matures on the earlier of January 31, 2026 or the date after the BDC loan has been repaid in full (the "Maturity Date"). Unpaid principal shall be payable in quarterly installments beginning on March 31, 2021 of $121, subject to the consent of BDC. To date, no quarterly principal has been paid. Any unpaid principal shall be payable in full upon the Maturity Date.

As at September 30, 2023, the carrying value of the Promissory Note is $1,996 (2022: $1,884). During the three and nine months ended September 30, 2023, no quarterly principal was paid to the Promissory Note holders and the Company recorded accretion expense of $39 and $112 (2022: $35 and $103) in finance costs. Accretion expense is calculated by applying the effective interest rate of 8.00%.

5. Financial instruments and fair values

The Company characterizes fair value measurements using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1: fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, account receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these financial instruments. These financial instruments are classified as financial assets and liabilities at amortized cost.

There are no financial liabilities that are measured at fair value. The following table shows the carrying amounts and the fair values of financial liabilities, including their levels in the fair value hierarchy.

	September 30, 2023			December 31, 2022		
	Carrying value	Fair value measurement Level 2	Fair value measurement Level 3	Carrying value	Fair value measurement Level 2	Fair value measurement Level 3
Financial liabilities						
Loan	$ 8,920	$ 8,591	$ -	$ 11,257	$ 10,787	$ -
Promissory note	1,996	1,762	-	1,884	1,642	-
Total	$ 10,916	$ 10,353	$ -	$ 13,141	$ 12,429	$ -

During the three and nine months ended September 30, 2023, there have been no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy.

The classification of the financial instruments as well as their carrying values as at September 30, 2023 and December 31, 2022 is shown in the table below.

	September 30, 2023			December 31, 2022		
	Amortized cost (Financial asset)	Amortized cost (Financial liabilities)	Total	Amortized cost (Financial asset)	Amortized cost (Financial liabilities)	Total
Financial assets						
Cash and cash equivalents	$ 19,299	$ -	$ 19,299	$ 18,790	$ -	$ 18,790
Accounts and other receivables	1,003	-	1,003	897	-	897
Total financial assets	$ 20,302	$ -	$ 20,302	$ 19,687	$ -	$ 19,687
Financial liabilities						
Account payable and accrued liabilities	$ -	$ 17,742	$ 17,742	$ -	$ 16,809	$ 16,809
Loan	-	8,920	8,920	-	11,257	11,257
Promissory note	-	1,996	1,996	-	1,884	1,884
Total financial liabilities	$ -	$ 28,658	$ 28,658	$ -	$ 29,950	$ 29,950

Valuation techniques and significant unobservable inputs

To determine the fair value of financial liabilities at initial recognition, the Company considered the present value of expected payments, discounted using a risk-adjusted discount rate. As at September 30, 2023, none of the Company's financial liabilities are subsequently measured at fair value after initial recognition.

Capital management

The Company manages its capital, which consists of equity and long-term debt with the objectives of safeguarding sufficient net working capital over the annual operating cycle and providing sufficient financial resources to grow operations to meet long-term consumer demand. The Company prepares and updates its annual operational results based on the Company's short and long term objectives and monitors actual operating results compared to the forecast to ensure that there is sufficient capital on hand to grow its operations. The Board of Directors of the Company monitors the Company's capital management on a regular basis. The Company will continually assess the adequacy of the Company's capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and risk characteristics of the business.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise interest rate risk and foreign currency risk.

Interest rate risk

The Company is exposed to changes in interest rates on our cash and cash equivalents and loans. The Company's debt has a variable interest rate based on the BDC floating base rate plus a margin. As a result, the Company is exposed to interest rate risk due to fluctuations in the BDC floating base rate. The principal amount outstanding under the BDC Loan was $7,650 as at September 30, 2023 (December 31, 2022: $9,900) which currently bears interest at 12.75% (December 31, 2022: 12.0%). For the nine months ended September 30, 2023, a 1.0% increase in the floating interest rate would have increased interest paid by $92 (December 31, 2022: $300) and finance costs by $89 (December 31, 2022: $138).

Currency risk

The Company's and its subsidiary's functional currencies are the Canadian Dollar ("CAD") and the United States Dollar ("USD") respectively. The Company is exposed to fluctuations in the USD and the CAD relative to these functional currencies. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Company is exposed to the following currency risk as at September 30, 2023:

	September 30, 2023		December 31, 2022	
	USD	CAD	USD	CAD
Cash and cash equivalents	$ -	$ 2,110	$ 12	$ 804
Accounts and other receivables	-	438	-	190
Accounts payable and accrued liabilities	-	(8,251)	-	(6,786)
Total	$ -	$ (5,703)	$ 12	$ (5,792)

A 10% strengthening in the Canadian dollar against the U.S. dollar on net monetary accounts would, with all other variables being constant, have an approximately unfavorable impact of $519 (December 31, 2022: $527) on net income.

Credit risk

Credit risk refers to the possibility that the Company can suffer financial losses due to the failure of the Company's counterparties to meet their payment obligations. The Company is exposed to minimal credit risk. The Company does not extend credit to customers, but do have some receivables exposure with respect to payment processors transferring customer funds to the Company and to rebates receivable from the Company's vendors. The majority of accounts receivables are settled in under 30 days. In order to reduce this risk, the Company uses industry leading payment processors, including Braintree Payment Gateway, Chase Paymentech, American Express, and PayPal. The Company deposits its cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. As such, exposure to customer credit risk is nominal.

Liquidity risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. The Company manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of the Company's revenue, income and working capital needs. The following table summarizes the amount of contractual undiscounted future cash flow requirements as September 30, 2023.

Contractual obligations	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	$ 17,742	$ 17,742	$ 17,742	$ -	$ -	$ -
Loan - Principal amount	8,920	8,957	3,000	5,957	-	-
Loan - Interest	-	1,283	800	483	-	-
Promissory note	1,996	2,412	-	2,412	-	-
	$ 28,658	$ 30,394	$ 21,542	$ 8,852	$ -	$ -

6. Inventory

As at September 30, 2023, inventory comprised of $9,561 (2022: $9,094) of contact lenses, $4,647 (2022: $5,909) of frames, prescription lenses of $951 (2022: $868), and other miscellaneous inventory of $264 (2022: $543).

7. Leases

During the nine months ended September 30, 2023, the Company had $nil (2022: $23) of lease liability additions, paid $811 (2022: $794) of lease payments, recognized $344 (2022: $393) of accretion expense, and $nil (2022: $38) of foreign exchange loss.

During the nine months ended September 30, 2023, the Company had $nil (2022: $23) of right-of-use asset additions, recognized depreciation expense of $603 (2022: $575) and incurred $16 (2022: $541) of exchange differences.

8. Share capital

During the nine months ended September 30, 2023, 78,706 (2022: 130,170) vested RSRs were delivered to its officers and directors and 8,334 options (2022: nil) were exercised at a weighted average exercise price of $2.60.

9. Share-based compensation

During the three months ended September 30, 2023, the Company granted 11,115 restricted shares rights ("RSRs") to its directors which vest immediately upon grant. The RSRs have a weighted fair value of $5.06 which is the Company's average share price for the period the services were provided. As at September 30, 2023, the Company has a total 18,955 of outstanding RSRs, comprising of 7,840 of non-vested RSRs.

During the nine months ended September 30, 2023, 72,000 (2022: 45,100) stock options were forfeited at a weighted average exercise price of $6.43 (2022: $3.93). As at September 30, 2023, the Company has a total of 2,789,974 (2022: 2,847,224) of stock options outstanding with a weighted average exercise price of $3.07 (2022: $3.17) and a weighted average remaining contractual life of 3.58 years (2022: 4.59 years) , comprising of 2,442,915 (2022: 2,167,595) of exercisable stock options with a weighted average exercise price of $3.10 (2022: $2.96).

Share-based compensation (recovery)/expense related to stock options and RSRs of $(118) and $394 (2022: $308 and $976) was recorded for the three months and nine months ended September 30, 2023, respectively.

10. Related party transactions

During the three and nine months ended September 30, 2023, the Company recorded rent of $nil and $nil (2022: $19 and $58) to a company under common control of a significant shareholder of the Company, of which $nil (2022:$14) is unpaid as at September 30, 2023 and paid rent of $nil and $nil (2022: $30 and $90) to a company under common control of another significant shareholder of the Company. These amounts have been included in other general and administrative expense and are part of the Company's ordinary course of business. The contract terms were based on market rates for these types of services and were terminated as of December 31, 2022.

During the three and nine months ended September 30, 2023, the Company recorded $31 and $93 (2022: $31 and $68) of Board fees to its directors (the "Directors") and $56 and $169 (2022: $56 and $156) of share-based compensation. $31 of Board fees remain unpaid as at September 30, 2023.

Key management compensation

Key management consists of the Board of Directors and officers of the Company. Key management compensation comprises of wages and employee benefits. For the three and nine months ended September 30, 2023, the Company paid $460 and $1,426 (2022: $400 and $1,200) of wages and employee benefits to key management and recorded key management share-based (recovery)/expense $(246) and $29 (2022: $181 and $588).

11. Income taxes

The Company calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of income/(loss) for the three and nine months ended September 30, 2023 comprises of deferred income tax (recovery)/ expense of $72 and $(468) (2022: $(250) and $(1,148)).

As at September 30, 2023, deferred tax assets consist of available non-capital losses and other tax deductions of $6,876 (2022: $6,847), net of deferred tax liability arising from property and equipment, right of use assets and net of lease liability of $715 (2022: $823), intangible assets of $263 (2022: $565), promissory note of $112 (2022: $142), and foreign exchange of $192 (2022: $195). The Company has non-capital losses of approximately $22,064 (2022: $22,017) that can be applied against future years' taxable income for Canadian income tax purposes. The Company has recognized these losses as a deferred income tax asset as it expects to utilize these losses against future taxable income.

12. Earnings (Loss) per share

For the three months ended September 30, 2023, the weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share includes the 1,836,121 share equivalents of the vested options. There is no change to the net income attributable to ordinary shareholders (diluted) for the three months ended September 30, 2023.

For the nine months ended September 30, 2023, and three and nine months ended September 30, 2022, common share equivalents that could potentially dilute net income per basic share in the future, but were not included in the computation of diluted earnings per share because the impact would have been anti-dilutive comprised of all issued stock options of the Company.

13. Goodwill and intangible assets

During the nine months ended September 30, 2023, the Company recognized $1,113 (2022: $1,251) of amortization expenses, and $77 (2022: $3,149) of exchange differences. The Company exercises judgement to determine whether there is an impairment indicator requiring an impairment test for its goodwill and indefinite life intangible assets to be completed. As at September 30, 2023, no impairment indicators exist.

14. Contingencies

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings, or any amount it may be required to pay by reason thereof, will have a material adverse effect on the financial condition or future results of operations of the Company.