



ANNUAL REPORT

Year ended
December 28, 2019



NEWLOOK
VISION GROUP INC.

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Annual General Meeting of Shareholders
June 26th, 2020 at 10 a.m. (Montréal time)
Participation online by audio webcast
<https://web.lumiagm.com/204306172>.

Chairman's Message

For the year ended December 28, 2019



NEW INITIATIVES FOR FUTURE GROWTH

On the back of another year of continued strong financial and operating performance, 2019 for New Look Vision was marked by significant new initiatives for future growth. These include an agreement to acquire the Edward Beiner Group in Florida, which has since been completed and the development of the Company's omnichannel platform and strategy. New Look Vision continues to maintain its leadership position in the retail optical business across Canada with 394 locations in 9 provinces and now has a beachhead in the promising Florida market in the United States.

Operating Highlights of 2019

Set out below are summary highlights of 2019. Further details are set out in the annual message of Antoine Amiel, President & CEO:

- Revenues increased by 2.3% from last year to reach a record high of \$297.9 million and adjusted EBITDA attributed to shareholders^(a) reached a record high of \$55.9 million, a 2.5% increase over last year.
- Comparable store sales orders^(a) for the year, a basic retail parameter, were a strong 2.3% over last year.
- Net earnings attributed to shareholders increased by 32.1% over last year (31.9% on a per diluted share basis) to \$18.8 million.
- Adjusted net earnings attributed to shareholders^(a) increased by 13.5% over last year (13.6% on a per diluted share basis) to \$26.1 million.
- Cash flows related to operating activities reached \$43.6 million, an increase of 25.4% over last year (25.1% on a per diluted share basis).
- Total debt was reduced by \$9.8 million, improving the net debt to adjusted EBITDA attributed to shareholders^(a) ratio to 2.60 from 2.76 last year.
- The strong financial and operating performance of the Company in 2019 allowed it to maintain its quarterly payments of dividends to shareholders of \$0.15 per share.

New Initiatives in 2019

New initiatives in 2019 included the following:

- The Company invested \$8.9 million in leading edge Bespoke Eyewear technology and the technical component underpinning its omnichannel platform and strategy for improving the customer journey with enhanced engagement through interactive channels.
- It launched hearing care initiatives on a pilot project basis in certain of its retail optical locations in Quebec, Ontario, British Columbia and Nova Scotia.
- It entered into an agreement to acquire the Edward Beiner Group based in Miami which has since been completed, with 12 retail optical locations across key premium markets in Florida.

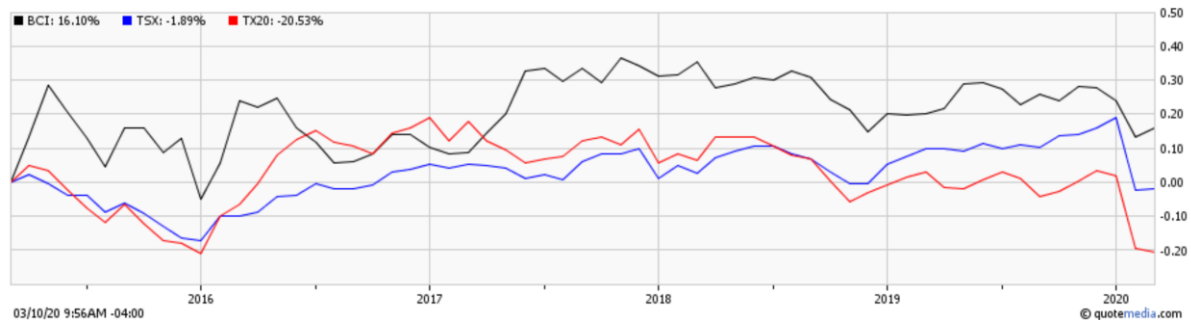
a) Adjusted EBITDA attributed to shareholders, adjusted net earnings attributed to shareholders and comparable store sales orders are not recognized measures under IFRS and may not be comparable to similar measures used by other entities. Investors should be cautioned that these measures should not be construed as an alternative to net earnings or cash flows as determined under IFRS. Refer to the sections EBITDA and adjusted EBITDA and Net earnings and adjusted net earnings in the Management's Discussion and Analysis for more details.

Chairman's Message

For the year ended December 28, 2019

Trading Performance

From January 2nd through December 27th, 2019 the Company's shares traded in the range of \$28.81 to \$35.40 per share and closed at \$32.75. New Look Vision's solid results since it started to unfold its national strategy have allowed its shares to significantly outperform both the TSX Composite Index and the TSX Smallcap Index over the past five years.



Human Resource Developments

Since January 2019, the Company has significantly added to its senior management team and Board of Directors in key areas:

- On January 15, 2019, Denyse Chicoyne, MBA, CFA, was appointed to the Board of Directors. Denyse has extensive relevant experience as an independent Board and Committee member of well-known Canadian public and private companies, across a wide spectrum of industries including retail.
- On March 11, 2019, Jean-Michel Maltais, MBA, was appointed Senior Vice-President, Omnichannel. Jean-Michel is an international executive with over 20 years' experience in multi-channel retail marketing and technologies.
- On January 7th, 2020, Jason Schonfeld, MBA, CFA, was appointed Senior Vice-President, Business Development.

Outlook

Our current priorities have not changed and continue to include:

- Achieve operational synergies and economies of scale through successful integration of newly acquired businesses.
- Improve liquidity and the balance sheet through a planned program of debt repayment.
- Increase market share by leveraging our state-of-the-art manufacturing and distribution facilities, marketing strategies, optometric facilities and continuous training of personnel.
- Leveraging the five primary banners, New Look Eyewear, Greiche & Scaff, Vogue Optical, Iris and Edward Beiner, which have proven a solid reputations in their respective markets and sharing best practices between them.
- Expanding the store networks in their respective target markets through new store openings along with the acquisition of individual optical stores.

Chairman's Message

For the year ended December 28, 2019

- Revitalizing web-related platforms for eye examination appointments, contact lens sales orders and greater information to the public on current eyewear fashion trends via our website and newsletter.
- Continue to develop and implement the omnichannel platform and strategy.

Impact of COVID-19

New Look Vision recorded a strong start to the 2020 year with excellent results in January and February, however the impact of COVID-19 hit the company full force in March. Details of the effect on the company's operations and management's actions and responses are set out in Antoine Amiel's President's Message and the Company's recent public filings, including the newly expanded debt facilities. As part of these prudent measures, the Board of Directors has decided to suspend the Company's quarterly dividend and corresponding dividend reinvestment plan until further notice. The Company believes it is well positioned to withstand the current disruption given its efficient operations, historical profitability and strong liquidity.

Management Team and Board Members

Congratulations for the 2019 results are in order for Antoine Amiel and the senior management team at the New Look Vision Group Inc. level: Tania Clarke, Jean-Michel Maltais, Jason Schonfeld, France Reimnitz, Caroline Rouleau, Stéphane Séguin and Michael Tovey; and at the operating units, Marie-Josée Mercier at New Look Eyewear; John MacLeod, Juanita Leary and Jamie Hearn at Vogue Optical; Pierre Freiji at Greiche & Scaff and Eric Babin and Sylvain Boucher at Iris.

A special thanks to members of the Board of Directors for their continuing support, guidance and advice and in particular since year-end and COVID-19. The past year has been another very busy year for the Board and Board Committees in support of the high level of activity in the group as we build the business and move forward.

We are confident that New Look Vision Group will come out of the COVID-19 period in fighting form and will continue to unfold and implement its growth strategy successfully in the coming years.

One final personal note. During the year, we lost Mario Pageau who passed away suddenly in April. Mario had for the last 17 years been a leading member of the New Look Vision family. He will be missed and remembered.



W. John Bennett

Chairman of the Board
New Look Vision Group Inc.

President & CEO's Message

For the year ended December 29, 2018



Overview

We, at New Look Vision, enhance life's sights and sounds. More than three thousand patients consult every day with our eye care professionals and associates, each consultation an opportunity for us to change a life by giving perfect sight. We are embarking on the parallel journey of hearing care, joining in the same endeavor two primary aspects of everyday life.

Essential Needs

Eye care and hearing care are inevitable needs. Humans' natural ageing process triggers near vision loss from the late 40's (presbyopia) and hearing deficiency (presbycusis) from the early 60's. These age groups will expand at twice the rate of the general population for the coming decade. Ageing of the population is our growth bedrock. It is supplemented by a worldwide myopia epidemic which stems from lifestyle changes in younger generations. Millennials onward need vision correction earlier than previous generations. The customer journey starts with a health care professional, anchored in stores, and continues with the dispensing of increasingly high performing products which are margin generators.

The North American optical and hearing segments are fragmented. Large numbers of health care professionals are still running their own clinics and locations. Consolidators who can support and elevate the standard of care, the operating efficiency and the product offering have large opportunities for profitable external growth at the same time as greatly improving the patients' quality of life.

Strong results and financial base

New Look Vision launched its strategic growth plan in 2013 and has more than trebled in size over the past 6 years, while improving its operational profitability to well above industry average. Sustained organic growth over 22 consecutive quarters and external growth over 340 acquired stores have made New Look Vision the largest Canadian optical retailer and lead consolidator. In 2019, New Look Vision delivered another record financial result year driven, as in past years, by sustained organic growth (store traffic and product mix) and strategic acquisitions in Canada and for the first time in the USA. After peaking at 3.8x's in 2017 after the IRIS acquisition, the leverage ratio was down to 2.6x's; testimony to New Look's cash generation ability and balance sheet strength.

- a) *Adjusted net earnings and adjusted EBITDA are not recognized measures under IFRS and may not be comparable to similar measures used by other entities. Investors should be cautioned that these measures should not be construed as an alternative to net earnings or cash flows as determined under IFRS. Refer to the sections EBITDA and adjusted EBITDA and Net earnings and adjusted net earnings in the Management's Discussion and Analysis for more details.*

COVID-19

The strong organic growth momentum from Q4, 2019 carried into 2020 until the impact of COVID-19 hit companywide full force in March. New Look Vision responded swiftly to the crisis along three guiding principles: Participation, Protection and Responsibility:

- Participation is stemming the pandemic's spread by closing a large number of locations early on (stores as well as offices, factories and distribution centers);

President & CEO's Message

For the year ended December 29, 2018

- Protection for our employees with a supplemental pay package for those placed on temporary leave; protection of our financial autonomy with immediate cash burn optimization (expense free, CAPEX postponement, dividend suspension executive pay reduction) and expansion of our available funding from our lenders; and
- Responsibility, as eye care professionals, to keep open a minimum number of stores to serve those in urgent need of eye care and eyewear. The company launched the Guardian Angel program on March 25th giving hospital personnel the opportunity to replace broken eyewear swiftly. We retooled our central lens processing facility to manufacture safety eyewear for use in health care facilities

Throughout the shutdown, our teams have continued to work on strategic growth projects both internal and external.

The gradual store reopening started on May 4th in certain areas served by our network. It is expected to roll out across all banners in coming weeks in accordance with local and professional regulations. Ahead of reopening, the Company issued stringent health and safety procedures, undertook extensive training in the form of in-store rehearsal and is providing each location with prescribed personal protective equipment.

Outlook

As retail reopens and eye care professionals are allowed back into practice, New Look Vision will resume its journey on the paths of sustained organic growth and disciplined external growth.

Our permanent quest for operational performance and ongoing strategies underpin New Look Vision's sustained organic growth. Jean-Michel Maltais, who joined us in March 2019, is leading the omnichannel initiative. It is the digitalization of the customer journey and the virtual replication of the store experience. Deployment started in the latter part of 2019 and will carry on through the coming year.

New Look Vision has a strong record of successful acquisitions. External growth has enriched our team, taken us to new markets and generated significant synergies, financial and operational. 2019 marked New Look Vision's entry into the US market; the Edward Beiner Group's acquisition closed in January 2020. We will continue to add to our store portfolio throughout North America, faithful to our time tested principles of looking for the best teams and remaining financially disciplined.

Acknowledgments

Optical retail operates at the crossroads of health care and retail. We facilitate access to health care through our partnerships with more than 600 optometrists operating within our locations. Our 730 licensed opticians provide optical expertise and our sales associates fashion guidance. We feel very fortunate that our mission, providing superior vision, has a profound and practical impact on our customers' life and protect their long-term health. This good fortune comes with a heightened sense of responsibility to our people and to society.

People, technical and retail skills are the driving forces behind our ability to deliver superior vision and customer care. We provide continuous education programs across the spectrum of tasks and positions. We promote executive teams across all divisions from within, faithful to our belief that internal promotion fosters legitimacy and quest for excellence. Our decentralized business unit organization, which empowers local management teams, ensures that we remain relevant to local markets.

In 2019, we made further progress in reducing our environmental footprint, building upon our ECORESPONSIBLE™ Level 1 certification and are seeking higher certification levels. This complements the initiatives of the past years in the areas of store lighting and water recycling in our manufacturing facilities.

President & CEO's Message

For the year ended December 29, 2018

We are active members of the communities we operate in by being involved with local and provincial charities. Our support comes in the form of donations, sponsorship and volunteer hours. Among others, we support the Eye Disease Foundation, the Children's Wish Foundation, Parkinson SuperWalk, CNIB's Dining in the Dark and Ride for Sight. In the professional field, we support optician and optometrist schools. Outside North America, our Iris Mundial foundation undertakes yearly missions to bring eye care and eyewear to local communities in need. In 2019, three missions involving volunteer optical professionals supported the permanent clinic and dispensary we set up the year before in Saint-Louis, Senegal.

Most importantly, I want to recognize the efforts of our 4,035 people across our five networks and two manufacturing/distributions centers for their passion and dedication, making the New Look Vision Group a successful professional family, customer and community focused and welcoming to new members.

Lastly, I wish to express my gratitude to the executive team for their support, to members of the Board for their guidance and to our shareholders for their trust.

In closing, I would like to remember our departed friend and colleague, Mario Pageau, Senior Vice President Optician Networks, who passed away over Easter 2019. Beyond the friendship, the trust and the admiration for an exemplary man and professional, I will remember the deep bond, from sharing a similar outlook: "never be afraid of anything", based on the belief that standing still is always the worst option. That principle guided his life and was the cradle of his leadership. His legacy lives on in all of us. His family is in our heart always.



Antoine Amiel

President & Chief Executive Officer
New Look Vision Group Inc.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 28, 2019

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

BACKGROUND

This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of New Look Vision Group Inc. ("New Look Vision" or the "Company") and its subsidiaries, which include entities over which New Look Vision has the power to govern the financial and operating policies so as to affect the amount of its return without owning shares of these entities (New Look Vision and its subsidiaries are together referred to as the "Group"), as at and for the 13 and 52 weeks ended December 28, 2019 ("Q4 2019" and "fiscal 2019").

This MD&A provides prospective data, comments and analysis wherever appropriate to assist readers in viewing the business from corporate management's point of view. The purpose of this MD&A is to provide a better understanding of our activities and should be read in conjunction with the audited consolidated financial statements for the years ended December 28, 2019 and December 29, 2018.

Except where otherwise indicated, all financial information reflected herein is expressed in thousands of Canadian dollars and is determined on the basis of International Financial Reporting Standards (IFRS). Additional information relating to the Group can be found on the website www.newlookvision.ca. The Group's continuous disclosure materials, including the annual and quarterly MD&A, annual and quarterly financial statements, annual information forms, proxy solicitation and information circulars and various press releases are also available through the SEDAR system at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact contained in this MD&A are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, projected costs and plans and objectives of, or involving New Look Vision. Readers can identify many of these statements by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "plans", "may", "would" or similar words or the negative thereof. Forward-looking statements are subject to risks, uncertainties and assumptions. Although management of New Look Vision believes that the plans, intentions or expectations represented in such forward-looking statements are reasonable, there can be no assurance that they will prove to be correct. Some of the factors which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include: pending and proposed legislative or regulatory developments, competition from established competitors and new market entrants, technological change, interest rate fluctuations, general economic conditions, acceptance and demand for new products and services, and fluctuations in operating results, as well as other risks included in New Look Vision's current Annual Information Form (AIF) which can be found at www.sedar.com. The forward-looking statements included in this MD&A are made as of the date hereof, and New Look Vision undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, except as provided by law.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company presents its financial statements on the basis of IFRS issued by the International Accounting Standards Board (IASB). The use of IFRS is compulsory for public companies such as New Look Vision. Full details of accounting policies are found in the audited consolidated financial statements for the year ended December 28, 2019.

Non IFRS measures

The Company uses non-IFRS measures to complement IFRS measures, to provide investors with supplemental information of its operating performance and to provide further understanding of the Company's results of operations from management's perspective. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Non-IFRS measures should not be considered in isolation nor as a substitute for an analysis of the Company's financial information reported under IFRS. These measures are identified and defined as they appear in this document.

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

DESCRIPTION OF BUSINESS

New Look Vision is a leading provider of eye care products and services across Canada. The Group has retail sales of optical products which can be grouped into four principal categories: (i) prescription eyewear and non-prescription eyewear, (ii) contact lenses, (iii) sunglasses, protective eyewear and reading glasses, and (iv) accessories, such as cleaning products for eyeglasses and contact lenses. Certain prescription lenses are processed at its laboratories, located in Charlottetown, Prince Edward Island, and Ville St-Laurent, Québec.

New Look Vision's retail activities are mainly conducted under the "New Look Eyewear," "Greiche & Scaff," "Iris" and "Vogue Optical" trade names (retail banners) and had the following provincial market distribution on December 28, 2019.

	Quebec	British Columbia	Ontario	New Brunswick	Nova Scotia	Alberta	Newfoundland & Labrador	Prince Edward Island	Saskatchewan	Total
Number of stores	200	47	43	25	22	16	16	7	2	378

As at December 28, 2019, the Company's network of stores totaled 378, consisting of 275 wholly-owned corporate, 38 majority-owned, 44 jointly-owned and 21 franchised locations.

Since the year end, the Company acquired 16 stores, 4 in Canada and 12 in the US. With the Edward Beiner Group acquisition the Company has established its US platform for future growth. Including these acquisitions in 2020 current store network has grown to 394.

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

HIGHLIGHTS

Highlights for the fourth quarter of 2019 compared to the fourth quarter of 2018 and the year ended December 28, 2019 compared to the 2018 and 2017 fiscal years are as follows:

	2019 13 weeks	2018 13 weeks	2019 52 weeks	2018 52 weeks	2017 52 weeks
Revenues	\$73,929	\$71,140	\$297,865	\$291,032	\$229,151
Variance %	3.9%		2.3%		
Variance in comparable store sales orders^{(a)(b)}	3.6%	0.8%	2.3%	1.3 %	
Adjusted EBITDA attributed to shareholders^(b)	\$14,271	\$13,760	\$55,851	\$54,468	\$41,980
Variance %	3.7%		2.5%	29.7 %	
% of revenues	19.3%	19.3%	18.8%	18.7 %	18.3 %
Per share (diluted)	\$0.91	\$0.88	\$3.57	\$3.49	\$2.95
Variance %	3.4%		2.3%	18.3 %	
Net earnings attributed to shareholders	\$5,039	\$3,108	\$18,754	\$14,193	\$10,060
Variance %	62.1%		32.1%	41.1 %	
% of revenues	6.8%	4.4%	6.3%	4.9 %	4.4 %
Net earnings per share					
Per share (diluted)	\$0.32	\$0.20	\$1.20	\$0.91	\$0.71
Variance %	60.0%		31.9%	28.2 %	
Adjusted net earnings attributed to shareholders^(b)	\$7,865	\$5,371	\$26,080	\$22,973	\$18,106
Variance %	46.4%		13.5%	26.9 %	
% of revenues	10.6%	7.5%	8.8%	7.9 %	7.9 %
Per share (diluted)	\$0.50	\$0.34	\$1.67	\$1.47	\$1.27
Variance %	47.1%		13.6%	15.7 %	
Cash flows related to operating activities	\$7,343	\$7,423	\$43,607	\$34,786	\$32,013
Variance %	(1.1%)		25.4%	8.7 %	
Per share (diluted)	\$0.47	\$0.48	\$2.79	\$2.23	\$2.25
Variance %	(2.1%)		25.1%	(0.9)%	
Free cash flow^{(b)(c)}	\$3,829	\$5,842	\$33,757	\$25,992	\$21,929
Variance %	(34.5%)		29.9%	18.5 %	
Per share (diluted)	\$0.24	\$0.37	\$2.16	\$1.66	\$1.54
Variance %	(35.1%)		30.1%	7.8 %	
Total debt			\$150,973	\$160,737	\$173,278
Net debt / Adjusted EBITDA attributed to shareholders^{(b)(d)}			2.60	2.76	3.80
Cash dividend per share^(e)	\$0.15	\$0.15	\$0.60	\$0.60	\$0.60
Number of stores^(f)			378	373	379

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018

Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

- a) Comparable stores are stores which have been operating for at least 12 months. Revenues are recognized at time of delivery of goods to customers, however management measures the comparable store performance on the basis of sales orders, whether delivered or not.
- b) Adjusted EBITDA attributed to shareholders, adjusted net earnings attributed to shareholders, free cash flow and comparable store sales orders are not recognized measures under IFRS and may not be comparable to similar measures used by other entities. Refer to the sections EBITDA and adjusted EBITDA, net earnings and adjusted net earnings, operating activities and free cash flow for the definitions and reconciliations.
- c) Free cash flow is defined as cash flows related to operating activities, less acquisitions of property, plant and equipment.
- d) Net debt is defined as total debt less cash. Adjusted EBITDA attributed to shareholders represents the amount over the last four rolling quarters.
- e) The amounts of dividends shown in the table above refer to amounts declared in the periods.
- f) The increase in the number of stores in the last twelve months reflects the acquisition of ten stores net of five closures.

OVERVIEW

The Company has successfully positioned itself as a leader in the Canadian retail optical business and is poised to grow revenues and EBITDA for the foreseeable future. Solid operating performance as well as the successful integration of recent acquisitions have allowed the Company to improve its already strong market position.

As shown in the Highlights table on the preceding page, the Company recorded an increase in comparable store sales orders of 3.6% resulting in a 3.9% increase of revenues in the fourth quarter of 2019 in comparison to 2018. This marks the 22nd consecutive quarter of comparable store sales orders growth.

Adjusted EBITDA attributed to shareholders for the quarter increased by \$0.5 million or 3.7% over the same period last year principally due to improved performance from existing stores and improved employee productivity that lead to lower remuneration expenses.

Net earnings attributed to shareholders increased by \$1.9 million or 62.1% in the fourth quarter of 2019 compared to the same period last year. The increase is driven by higher EBITDA and lower financial expenses.

New Look Vision remains focused on its profitable growth strategy in Canada as evidenced by solid operating results during 2019.

The full year 2019 highlights are:

- Annual revenues increased by 2.3% to reach a record \$297.9 million, resulting mainly from comparable store sales growth as well as from newly acquired stores, offset by revenue from scheduled store closures.
- Comparable store sales orders were up by 2.3% compared to last year.
- Adjusted EBITDA attributed to shareholders reached \$55.9 million, an increase of \$1.4 million or 2.5% over last year and increased 2.3% on a per diluted share basis to \$3.57.
- Net earnings attributed to shareholders were \$18.8 million, an increase of 32.1% over last year. This increase is driven by higher EBITDA, lower financial expenses and depreciation. Net earnings per diluted share increased 31.9% to \$1.20.
- Adjusted net earnings attributed to shareholders increased by 13.5% to \$26.1 million or 13.6% on a per diluted share basis. The increase is mainly attributable to a higher adjusted EBITDA.
- Cash flows related to operating activities reached \$43.6 million, an increase of \$8.8 million or 25.4% over last year and increased 25.1% on a per diluted share basis to \$2.79.
- The Company invested \$8.9 million in Bespoke Eyewear and the technical component that underpins the omnichannel strategy.
- The total debt was reduced by \$9.8 million through voluntary and contractual repayments, improving the net debt to adjusted EBITDA attributed to shareholders ratio to 2.60, compared to 2.76 last year.
- The Group maintained its quarterly dividend payment to shareholders of \$0.15 per share.

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

OUTLOOK

Our current priorities and development plans include the following objectives:

- Achieve operational synergies and economies of scale through successful integration of newly acquired businesses;
- Improve liquidity and the balance sheet through a planned program of debt repayment;
- Increase market share by leveraging our state of the art manufacturing and distribution facilities, marketing strategies, optometric facilities and continuous training of personnel;
- Exploring profitable growth opportunities;
- Sharing best practices between the banners by benchmarking activities and identifying areas from which the Group can maximize results and cash flows;
- Leveraging the four primary banners, New Look Eyewear, Greiche & Scaff, Vogue Optical, and Iris, which have proven and solid reputations in their respective markets;
- Expanding the store networks in their respective target markets, through new store openings along with the acquisition of individual optical stores. Since December 28, 2019, the Group acquired 16 stores bringing the total number of stores to 394.
- Improving the efficiency of our operations through significant investments in data analytics, retail, distribution, and manufacturing technology systems;
- Revitalizing web-related platform for eye examination appointments, contact lens sales orders and greater information to the public on current eyewear fashion trends via our website and newsletter.

Omnichannel strategy

New Look Vision prioritized its omnichannel strategy with the solitary goal of improving the customer journey by promoting enhanced customer engagement through interactive channels. The Company strives to give our customers the choice of how they wish to interact with us. This year, the Group entered into a strategic relationship with Topology Eyewear, a San Francisco based leader in bespoke eyewear, which is a component of the Company's omnichannel strategy. The investment of \$8.9 million secures access to technology on financially advantageous terms for New Look Vision.

Hearing care initiatives

In 2019, New Look Vision entered into agreements to launch hearing care initiatives on a pilot project basis in certain of its retail optical locations in Quebec, Ontario, British Columbia and Nova Scotia. In Quebec, beginning in May 2019, services offered include hearing screening and full professional auditory services provided by the audiologists of *Polyclinique de l'oreille*, and complete hearing aid services provided by *Le Groupe Forget*, audioprosthethists, both managed by *Les services de Location Hearing Care of America* ("SLHCA"). Outside Quebec, the company partnered with Avenir Hearing.

RESULTS ANALYSIS

Revenues

Revenues for the fourth quarter of 2019 were \$73.9 million, an increase of 3.9% over the fourth quarter of last year and are attributable to comparable stores sales growth and revenues from newly acquired stores which offset the loss of revenue from scheduled store closures over the last 12 months.

The cumulative 52-week period ended December 28, 2019 also benefited from same store growth factors described above, which resulted in revenues reaching \$297.9 million, up 2.3% from the corresponding period in 2018.

Revenues are recognized when goods are delivered to customers, however, management measures the performance of comparable stores on the basis of sales orders, regardless of delivery. Comparable store sales increased by 3.6% in the fourth quarter of 2019 compared to the fourth quarter of last year and increased by 2.3% for the year-to-date period. Comparable stores are defined as stores which have been operating for a minimum of 12 months.

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

Operating expenses

Operating expenses for the fourth quarter and 52-week periods ended December 28, 2019 and December 29, 2018 are summarized as follows:

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Revenues	73,929	71,140	297,865	291,032
Materials consumed	15,598	14,879	65,264	63,882
<i>% of revenues</i>	21.1%	20.9%	21.9%	22.0%
Employee remuneration (excluding other non-comparable items)				
Salaries and social security costs	25,121	24,519	100,205	97,195
<i>% of revenues</i>	34.0%	34.5%	33.6%	33.4%
Equity-based compensation	122	217	731	1,052
Acquisition-related costs	648	68	1,748	1,398
Other non-comparable items	1,243	489	967	1,277
Other operating expenses (excluding acquisition-related costs and other non-comparable items)	19,508	18,598	78,468	77,642
<i>% of revenues</i>	26.4%	26.1%	26.3%	26.7%
Total operating expenses	62,240	58,770	247,383	242,446
<i>% of revenues</i>	84.2%	82.6%	83.1%	83.3%

Total operating expenses as a percentage of total revenues decreased by 20 basis points to 83.1% for the 52-week period and increased by 160 basis points to 84.2% for the fourth quarter compared to the same periods last year.

Materials consumed

Materials consumed are comprised of frames, lenses and production supplies. The cost of materials includes foreign exchange gains and losses related to the purchase of these materials. Materials consumed as a percentage of revenues increased in the quarter by 20 basis points when compared to the same period last year due to newly acquired businesses operating at higher cost ratios and increased outsourcing due to machinery maintenance. For the year, materials consumed decreased by 10 basis points compared to last year which reflect improving synergies, offset by higher cost ratios of the newly acquired businesses and increased outsourcing due to machinery maintenance.

Employee remuneration (excluding other non-comparable items)

Salaries and social security cost expense includes salaries, bonuses, directors' fees and social security costs for all employees and directors. The majority of the expense relates to store based remuneration, including opticians.

Compared to the prior year, salaries and social security costs as a percentage of revenues decreased by 50 basis points in the quarter mainly as a result of changes in incentives programs. The ratio increase by 20 basis points in the year-to-date period reflects newly acquired businesses operating at higher cost ratios, investments in the IT, marketing and management team as well as continued pressure on store wages due to market conditions, partially offset by efficiencies gained from the centralization of support functions.

Equity-based compensation for a period represents the fair value of New Look Vision stock options vested in that period.

Acquisition-related costs

Acquisition-related costs are composed of wages and professional fees specifically incurred in the business acquisition process, whether an acquisition is completed or not.

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Other non-comparable items

Other non-comparable items include one-time expenses (income) connected with personnel costs related to acquisition, restructuring and transition related matters.

Other operating expenses (excluding acquisition-related costs and other non-comparable items)

Other operating expenses include stores, manufacturing and distribution facilities and head office occupancy costs, as well as selling, general and administration expenses. They also include foreign exchange gains and losses related to these expenses and gains or losses arising from the change in value of foreign exchange contracts.

Other operating expenses as a percentage of revenues increased by 30 basis points in the fourth quarter to 26.4% from 26.1% for the same period last year due to newly acquired businesses operating at higher cost ratios, marketing expenses, travel expenses, accounting fees and public filing fees, offset by cost savings in other categories. Other operating expenses as a percentage of revenues decreased by 40 basis points to 26.3% in the 52-week period as a result of cost control initiatives, offset by newly acquired businesses operating at higher cost ratios, planned repairs and maintenance and travel expenses.

EBITDA and adjusted EBITDA

The Group defines EBITDA, adjusted EBITDA and adjusted EBITDA attributed to shareholders as per the tables below. It should be noted that these performance measures are not defined under IFRS and may not be comparable to similar measures used by other entities. The Group believes that these measures are useful financial metrics as they assist in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA, adjusted EBITDA and adjusted EBITDA attributed to shareholders should not be construed as an alternative to net earnings or cash flows as determined under IFRS. The reconciling items between net earnings, EBITDA, adjusted EBITDA and adjusted EBITDA attributed to shareholders are as follows:

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Net earnings	4,987	3,056	19,398	14,394
Depreciation, amortization and loss on disposal	4,657	4,557	17,999	19,978
Financial expenses, net of interest revenue	1,434	3,485	8,719	9,720
Income taxes	1,728	1,698	7,000	6,343
EBITDA	12,806	12,796	53,116	50,435
Equity-based compensation	122	217	731	1,052
Net gain from changes in fair value of foreign exchange contracts	—	—	(4)	(42)
Acquisition-related costs	648	68	1,748	1,398
Other non-comparable items	1,243	489	967	1,277
Adjusted EBITDA	14,819	13,570	56,558	54,120
Variance in \$	1,249		2,438	
Variance in %	9.2%		4.5%	
% of revenues	20.0%	19.1%	19.0%	18.6%
Per share (basic)	0.95	0.87	3.62	3.49
Per share (diluted)	0.95	0.87	3.61	3.47

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The following table represents the adjusted EBITDA available to New Look Vision shareholders, which takes into consideration the investments in joint ventures and associates.

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Adjusted EBITDA	14,819	13,570	56,558	54,120
Income from investments in joint ventures and associates	(1,116)	(426)	(2,633)	(1,849)
EBITDA from investments in joint ventures and associates	930	760	3,612	3,425
EBITDA attributed to non-controlling interest	(362)	(144)	(1,686)	(1,228)
Adjusted EBITDA attributed to shareholders	14,271	13,760	55,851	54,468

The increase in adjusted EBITDA attributed to shareholders by \$0.5 million or 3.7% for the quarter reflects higher revenues and improvements in employee productivity thereby improving remuneration as a percentage of revenues, offset by higher materials consumed and other operating expenses as a percentage of revenues. The increase in adjusted EBITDA attributed to shareholders by \$1.4 million or 2.5% for the 52-week period reflects higher revenues and improvements in materials consumed and other operating expenses as a percentage of revenues, offset by higher employee remuneration as a percentage of revenues.

Refer to *Summary of Quarterly Results* for comparisons of adjusted EBITDA on a quarterly basis.

Depreciation and amortization

The depreciation and amortization expenses varied as follows:

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Depreciation of property, plant and equipment, net of amortization of deferred investment tax credits	2,527	2,951	10,503	12,038
Amortization of other intangible assets	1,794	1,189	7,117	7,504
Impairment and loss on disposal of long-term assets	336	417	379	436
Depreciation, amortization and loss on disposal of assets	4,657	4,557	17,999	19,978

The decrease in amortization of intangible assets for the year-to-date period principally reflects the reclassification between amortizable and non-amortizable intangible assets as a result of purchase price allocation adjustments which occurred in the third and fourth quarters of 2018. Lower capital investments in 2018 contributed to decreased depreciation.

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Financial expenses

The following table provides the main elements of financial expenses along with interest revenues:

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Interest on long-term debt ^(a)	1,872	2,177	7,787	8,677
Amortization of deferred costs related to the issuance of debt	86	177	316	860
Change in fair value of interest rate swap	(524)	1,028	583	9
Other financing expenses	143	188	468	469
Financial expenses	1,577	3,570	9,154	10,015
Interest revenue	143	85	435	295
Financial expenses, net of interest revenue	1,434	3,485	8,719	9,720
^{a)} Actual settlement cost of interest rate swap included in the interest on long-term debt above	40	38	134	164

The revolving facility is used for both daily operations and investment purposes. Borrowings under this facility are treated as long-term debt.

The fourth quarter reflects a favourable fair value change in the interest rate swap when compared to the prior year due to the current market forecast of future interest rates. In order to mitigate the risk of an increase in interest rates, New Look Vision maintains an interest rate swap to fix the interest rate on 80% of the outstanding acquisition term facility balance.

As of December 28, 2019, the long-term debt essentially comprised an outstanding balance of \$23.2 million under the revolving facility, a balance of \$76.0 million under the acquisition term facility, and \$50.0 million of subordinated loans.

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Income taxes

The income tax expense is composed of:

	2019	2018
	\$	\$
Current income tax		
In relation with the current activities	5,830	5,938
In relation with adjustments recognized in the period for current tax of prior periods	278	107
Total current income tax	6,108	6,045
Deferred income tax expense		
Origination and reversal of temporary differences	(1,479)	(266)
Utilization of unused tax losses and tax credits	2,371	564
Total deferred income tax expense	892	298
Total income taxes	7,000	6,343
Estimated effective tax rate of earnings before income taxes	26.5%	30.6%
Combined federal and provincial statutory rate	28.2%	28.2%

The difference between the estimated effective tax rate and the combined federal and provincial statutory rate is attributable to permanent differences between taxable and accounting income, adjustments for prior years, and changes in tax rates. Permanent differences include non-deductible equity-based compensation, certain acquisition-related costs, and income from joint ventures and associates, which is net of tax.

Outstanding dispute with the Canada Revenue Agency. In April 2018, the Canada Revenue Agency issued reassessments regarding the 2014 and 2015 taxation years denying the deductions of certain liabilities assumed following a business acquisition. Disputed amounts in tax and interest totaled \$0.8 million at end of 2018. In the fourth quarter of 2019, the Canada Revenue Agency issued new reassessments allowing most of the deductions claimed. Net amounts received in the year in relation with the reassessments were \$0.5 million and the net charge to income was \$0.1 million.

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Net earnings and adjusted net earnings

Net earnings for the fourth quarter and year-to-date periods ended December 28, 2019 can be compared to the corresponding periods of 2018 as follows:

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Net earnings attributed to shareholders	5,039	3,108	18,754	14,193
Variance in \$	1,931		4,561	
Variance in %	62.1%		32.1%	
% of revenues	6.8%	4.4%	6.3%	4.9%
Per share amount				
Diluted	0.32	0.20	1.20	0.91
Weighted average number of common shares used in diluted earnings per share	15,680,704	15,600,450	15,645,880	15,617,480
Variation %	0.5%		0.2%	

Net earnings attributed to shareholders for the fourth quarter ended December 28, 2019 increased significantly by \$1.9 million compared to last year due to higher EBITDA and lower financial expenses. Net earnings attributed to shareholders for the 52-week period ended December 28, 2019 increased by \$4.6 million compared to the prior year due to higher EBITDA and lower depreciation and financial expenses offset by higher income taxes.

Adjusted net earnings calculated below are not a recognized measure under IFRS and are therefore unlikely to be comparable to similar measures used by other entities. Investors should be cautioned that adjusted net earnings should not be considered as an alternative to net earnings or cash flows as determined under IFRS. Management believes that the following adjustments to net earnings provide useful information as they allow the comparison of the net results before amortization of acquired intangibles, acquisition-related costs, equity-based compensation, other non-comparable items and related income taxes, which may vary substantially from quarter to quarter:

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Net earnings attributed to shareholders	5,039	3,108	18,754	14,193
Amortization of acquired intangibles	1,653	1,658	6,565	7,073
Acquisition-related costs	648	68	1,748	1,398
Equity-based compensation	122	217	731	1,052
Other non-comparable items	1,243	489	967	1,277
Related income taxes	(840)	(169)	(2,685)	(2,020)
Adjusted net earnings attributed to shareholders	7,865	5,371	26,080	22,973
Variance in \$	2,494		3,107	
Variance in %	46.4%		13.5%	
% of revenues	10.6%	7.5%	8.8%	7.9%
Per share amount				
Basic	0.50	0.35	1.67	1.48
Diluted	0.50	0.34	1.67	1.47

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Adjusted net earnings per diluted share increased by 47.1% to \$0.50 in the fourth quarter and by 13.6% to \$1.67 on a year-to-date basis. Higher EBITDA, adjusted for changes in acquisition related costs, equity-based compensation and other non-comparable items, is the primary driver for the increase in both the quarter and year-to-date.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes unaudited consolidated quarterly results for each of the eight most recently completed quarters.

	4 th Quarter		3 rd Quarter		2 nd Quarter		1 st Quarter		4 Quarters	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Weeks	13	13	13	13	13	13	13	13	52	52
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	73,929	71,140	74,417	72,871	78,053	77,244	71,466	69,777	297,865	291,032
<i>As a % of the four-quarter revenues</i>	24.8%	24.5%	25.0%	25.0%	26.2%	26.5%	24.0%	24.0%	100%	100%
Comparable store sales orders	3.6%	0.8%	1.6%	0.2%	1.6%	2.6%	2.6%	1.8%	2.3%	1.3%
Adjusted EBITDA^(b)	14,819	13,570	14,587	13,898	15,547	15,307	11,605	11,345	56,558	54,120
<i>As a % of revenues</i>	20.0%	19.1%	19.6%	19.1%	19.9%	19.8%	16.2%	16.3%	19.0%	18.6%
<i>Per share (diluted)^(a)</i>	0.95	0.87	0.93	0.89	0.99	0.98	0.74	0.73	3.61	3.47
Adjusted EBITDA attributed to shareholders^(b)	14,271	13,760	14,429	13,970	15,269	15,267	11,882	11,471	55,851	54,468
<i>As a % of revenues</i>	19.3%	19.3%	19.4%	19.2%	19.6%	19.8%	16.6%	16.4%	18.8%	18.7%
<i>Per share (diluted)^(a)</i>	0.91	0.88	0.92	0.89	0.98	0.98	0.76	0.73	3.57	3.49
Net earnings attributed to shareholders	5,039	3,108	4,825	4,855	6,820	4,003	2,070	2,227	18,754	14,193
<i>Per share (diluted)^(a)</i>	0.32	0.20	0.31	0.31	0.44	0.26	0.13	0.14	1.20	0.91
Adjusted net earnings attributed to shareholders^{(b)(c)}	7,865	5,371	6,927	6,580	7,370	6,735	3,918	4,287	26,080	22,973
<i>Per share (diluted)^(a)</i>	0.50	0.34	0.44	0.42	0.47	0.43	0.25	0.27	1.67	1.47
Free cash flow^(b)	3,829	5,842	11,129	8,452	8,532	6,979	10,267	4,719	33,757	25,992
<i>Per share (diluted)^(a)</i>	0.24	0.37	0.71	0.54	0.55	0.45	0.66	0.30	2.16	1.66
Cash flows related to operating activities	7,343	7,423	13,472	9,465	10,249	9,144	12,543	8,754	43,607	34,786
<i>Per share (diluted)^(a)</i>	0.47	0.48	0.86	0.61	0.66	0.59	0.80	0.56	2.79	2.23
Dividend per share	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.60	0.60

- Amounts per share for four quarters may not correspond to the total of quarterly amounts, as a distinct calculation is made for each quarter or four-quarter period.
- Adjusted EBITDA, adjusted EBITDA attributed to shareholders, adjusted net earnings attributed to shareholders and free cash flow are not recognized measures under IFRS and are therefore unlikely to be comparable to similar measures used by other entities. Investors should be cautioned that these measures should not be considered as an alternative to net earnings or cash flows as determined under IFRS.
- Adjusted net earnings attributed to shareholders were revised in the first quarter of 2019 and retrospectively to all quarters presented above, in order to adjust for amortization of acquired intangibles, net of the related tax impact.

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LIQUIDITY

The following table summarizes the cash flows for the fourth quarter and 52-week periods ended December 28, 2019 and December 29, 2018, respectively. Amounts in parentheses represent use of cash.

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Operating activities	7,343	7,423	43,607	34,786
Investing activities	(7,079)	(1,558)	(22,750)	(11,312)
Financing activities	(3,165)	(1,459)	(25,434)	(26,562)
Net increase (decrease) in cash	(2,901)	4,406	(4,577)	(3,088)
Cash, beginning of year	8,883	6,153	10,559	13,647
Cash, end of year	5,982	10,559	5,982	10,559

Cash flows generated by operating activities remained flat in the quarter and increased for the year as compared to 2018. This increase is driven by higher EBITDA, lower income taxes paid and changes in working capital.

The use of cash for investing activities in the fourth quarter and year-to-date periods increased when compared to the same periods in the prior year. For the quarter, the use of cash is primarily driven by increased investments in property, plant and equipment and omnichannel. The 52-week period resulted in increased use of cash due to business acquisitions, omnichannel and capital investments offset by the increase in cash from net variation of loans and advances.

The increased use of cash by financing activities in the quarter is mainly a result of reduced borrowings to fund business acquisitions, lower repayments under the revolving facility and reduced cash from net variation of loans and advances from related parties, partially offset by lower interest and finance fees paid. The 52-week period resulted in a lower use of cash due to increased borrowings to fund business acquisitions and investments and lower dividends paid, net of dividends reinvested, due to higher dividend reinvestment rate, partially offset by higher voluntary deleveraging and debt servicing.

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Operating activities

The cash flows related to the operating activities for the fourth quarters and 52-week periods ended December 28, 2019 and December 29, 2018 are as follows. Amounts in parentheses represent use of cash.

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Earnings before income taxes	6,715	4,754	26,398	20,737
Adjustments:				
Depreciation, amortization and loss on disposal	4,657	4,557	17,999	19,978
Equity-based compensation	122	217	731	1,052
Financial expenses	1,577	3,570	9,154	10,015
Interest revenue	(143)	(85)	(435)	(295)
Other	74	183	(134)	(59)
Income from investments in joint ventures and associates	(1,116)	(426)	(2,633)	(1,849)
Cash flows from operating activities, before income taxes paid and changes in working capital items	11,886	12,770	51,080	49,579
Income taxes paid	(866)	(1,645)	(4,714)	(8,016)
Cash flows related to operating activities, before changes in working capital items	11,020	11,125	46,366	41,563
Changes in working capital items	(3,677)	(3,702)	(2,759)	(6,777)
Cash flows related to operating activities	7,343	7,423	43,607	34,786

Cash flows related to operating activities remained flat in the quarter. The increase in the 52-week period is primarily due to higher EBITDA, lower income taxes paid and changes in working capital.

Free cash flow

Free cash flow is not a recognized measure under IFRS and may not be comparable to similar measures used by other entities. New Look Vision believes that this disclosure provides useful information as it provides insight on operating cash flows available after considering capital investments. Investors should be cautioned that free cash flow should not be considered as an alternative to cash flows related to operating activities as determined under IFRS.

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Cash flows related to operating activities	7,343	7,423	43,607	34,786
Acquisitions of property, plant and equipment	(3,514)	(1,581)	(9,850)	(8,794)
Free cash flow	3,829	5,842	33,757	25,992

Free cash flow decreased in the quarter by \$2.0 million due to higher capital expenditures mainly in optical equipment. Free cash flow increased in the year-to-date period by \$7.8 million primarily due to higher cash flows from operations.

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Adjusted cash flows related to operating activities

Adjusted cash flows related to operating activities are not a recognized measure under IFRS and may not be comparable to similar measures used by other entities. New Look Vision believes that this disclosure provides useful information as it allows the comparison of net operating cash flows excluding income taxes paid, changes in working capital items, acquisition-related costs and other non-comparable items, which may vary significantly from quarter to quarter. Investors should be cautioned that adjusted cash flows related to operating activities should not be considered as an alternative to cash flows related to operating activities as determined under IFRS.

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Cash flows related to operating activities	7,343	7,423	43,607	34,786
Income taxes paid	866	1,645	4,714	8,016
Changes in working capital items	3,677	3,702	2,759	6,777
Acquisition-related costs	648	68	1,748	1,398
Other non-comparable items	1,243	489	967	1,277
Adjusted cash flows related to operating activities	13,777	13,327	53,795	52,254

The above table indicates an increase in the 52-week period ended December 28, 2019 compared to last year when cash flows related to operating activities are adjusted to add back the cash impact of income taxes paid, changes in working capital items, acquisition-related costs, and other non-comparable items, which vary significantly from quarter to quarter. Adjusted cash flows related to operating activities have increased by 3.4% or \$0.5 million for the quarter and by 3.0% or \$1.5 million for the 52-week period ended December 28, 2019.

Changes in working capital items

Cash was also generated (or used) by the variation of the following working capital items:

	13 weeks		52 weeks	
	Dec. 28, 2019	Dec. 29, 2018	Dec. 28, 2019	Dec. 29, 2018
	\$	\$	\$	\$
Receivables	(227)	(2,335)	(487)	(1,553)
Inventory	673	353	(3,823)	(474)
Prepaid expenses	(1,125)	(940)	621	(1,977)
Accounts payable, accrued liabilities and provisions	(2,998)	(780)	930	(2,773)
Decrease in cash	(3,677)	(3,702)	(2,759)	(6,777)

The reduced use of cash by accounts receivable in the fourth quarter and year-to-date periods of 2019 represents normal fluctuations in the course of business.

The increased use of cash by inventory on a year-to-date basis compared to the same period last year was impacted by higher purchases in the third quarter of 2019.

The variations in the generation or use of cash by prepaid expenses is primarily driven by the timing of payments of monthly occupancy for the company's network of stores in relation to the timing of period end.

The use of cash by accounts payable, accrued liabilities and provisions in the fourth quarter and generation of cash in the year-to-date period of 2019 versus the use of cash in 2018 is due to timing of purchases and payments to suppliers in the normal course of business.

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Contractual obligations

The contractual obligations of the Group as of December 28, 2019 are summarized in the following table:

Contractual obligations	Total	Payments due					
		2020	2021	2022	2023	2024	Thereafter
Long-term debt ^(a)	176,669	18,026	17,224	51,257	74,945	15,137	80
Operating leases	79,635	20,507	16,650	13,383	10,084	6,925	12,086
Purchase obligations ^(b)	6,239	6,239	—	—	—	—	—
Other obligations ^(c)	37,388	37,388	—	—	—	—	—
Total	299,931	82,160	33,874	64,640	85,029	22,062	12,166

- a) Amounts shown as payments due on the long-term debt reflect the repayment of debt and estimated interest, as established as of December 28, 2019. The repayment of the outstanding revolving facility was included in 2023 as no capital repayments are required until this time.
- b) Purchase obligations relate to commitments for capital expenditures.
- c) Other obligations relate to accounts payable, accrued liabilities and loans and advances due from related parties.

CAPITAL RESOURCES

Credit facilities and subordinated debts

As at December 28, 2019, the key terms of the credit facilities were as follows:

- A revolving facility with a maximum draw-down of \$50.0 million (actual draw-downs of \$23.2 million at December 28, 2019 and \$23.4 million at the end of 2018) to finance day-to-day operations, capital expenditures, and business acquisitions. The use of this facility is treated as a long-term debt as no repayment is required until October 24, 2023 provided that certain financial ratios are respected.
- An acquisition term facility of an initial amount of \$95.0 million, which was used to finance business acquisitions. The annual repayments on the acquisition term facility represent \$9.5 million. As at December 28, 2019, the balance of the debt was \$76.0 million (\$85.5 million as at the end of 2018) and any balance is repayable on October 24, 2023.
- An unused accordion feature with a maximum draw-down of \$35.0 million to finance business acquisitions.

The subordinated debts, as at December 28, 2019 were as follows:

- A subordinated debt of \$35.0 million (\$35.0 million at the end of 2018), entered into on October 24, 2017. The applicable rate thereon is 5.5% and maturity is October 24, 2022.
- A subordinated debt of \$15.0 million (\$15.0 million at the end of 2018) to finance day-to-day operations and for investment purposes, including to finance capital expenditures and acquisitions, maturing in February 2024. The applicable interest rate is 5.5% (6.75% at the end of 2018).

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As of December 28, 2019, the credit facilities and subordinated debt used and available were as follows:

	\$
Revolving facility	
Credit granted	50,000
Credit outstanding at December 28, 2019	23,225
Balance available at December 28, 2019	26,775
Acquisition term facility	
Credit granted	95,000
Credit outstanding at December 28, 2019	76,000
Total subordinated debts	
Credit granted	50,000
Credit outstanding at December 28, 2019	50,000

The Company also had \$6.0 million in cash at the end of the year. The Company was in compliance with all covenants governing the credit facilities.

OUTSTANDING SHARES AND OPTIONS

As of February 29, 2020, New Look Vision had 15,660,199 Class A common shares outstanding, which are the only shares outstanding. This number includes the following transactions that occurred since the last year end up to February 29, 2020:

- 26,572 shares issued pursuant to the exercise of 57,000 stock options, at an average price of \$24.25 per share:
 - 6,572 shares issued pursuant to the exercise of 37,000 stock options under the cashless exercise feature;
 - 20,000 shares issued pursuant to the exercise of the same number of options for a total of \$0.4 million.
- 64,881 shares issued pursuant to the dividend reinvestment plan.

As of February 29, 2020, there were 791,500 options outstanding to purchase the same number of New Look Vision Class A common shares for a weighted average exercise price of \$31.33. The exercise price reflects the market value of the shares for the five business days preceding the grant date. All outstanding options will expire from five to seven years after the grant date. As of February 29, 2020, the balances of shares reserved by the TSX for issuance upon exercise of options or payment for services totaled 1,659,439.

DIVIDENDS

Dividends declared

The Board of Directors has elected to suspend the regular quarterly dividend and the corresponding dividend reinvestment plan for Q4 2019.

The decision to declare a dividend is made quarterly when the financial statements for a quarter or a financial year are made available to the Board of Directors. Although there is no guarantee that a dividend will be declared in the future, New Look Vision and its predecessor, Benvest New Look Income Fund, have regularly paid a dividend or distribution since 2005.

The dividends declared are usually designated as "eligible dividends" for tax purposes, that is dividends entitling shareholders who are individuals residing in Canada to a higher dividend tax credit. Information on the tax status of dividends is available on www.newlookvision.ca in the *Investors* section.

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

Dividend reinvestment plan

A dividend reinvestment plan allows shareholders to elect to reinvest their cash dividends into New Look Vision shares, without any brokerage commissions, fees and transaction costs. Subject to further consideration, shares are issued from treasury at 95% of the weighted average trading price for the five trading days preceding the dividend payment date.

Class A common shares issued under the dividend reinvestment plan in 2019 were as follows:

Date of Issuance	Number of shares issued	Issuance price per share	Total
		\$	\$
December 31, 2018	9,538	\$28.63	\$273
March 29, 2019	13,642	\$28.47	\$388
June 28, 2019	13,327	\$32.62	\$435
September 30, 2019	14,308	\$30.30	\$434
Total amount	50,815	\$30.10	\$1,530

COMMITMENTS AND CONTINGENCIES

The company is a defendant in litigation matters arising in the course of ordinary business. Claims considered likely to result in settlements have been provided for.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates. These estimates are established on the basis of previous years and management's best judgement. Management continually reviews estimates. Actual results may differ from those estimates. The following paragraphs establish the main estimates used in preparing the consolidated financial statements of the Company.

Allowance for obsolescence

Although the Company continuously endeavours to increase the inventory turnover to reduce the risk of obsolescence and improve cash flows, management estimates an allowance for obsolescence regarding slow moving inventories. Such estimates are based on historical experience of inventories liquidated, donated to charities or destroyed.

Useful life of property, plant, equipment and intangible assets

For the purpose of calculating the depreciation and the amortization of property, plant, equipment and intangible assets, estimates of the duration of their useful lives must be carried out. Factors such as risks of obsolescence caused by new technologies and the Company's objective of using state-of-the-art equipment and presenting fashionable stores are taken into account.

Allocation of purchase price of a business

When acquiring a business, management allocates the purchase price to underlying assets and liabilities, as required by IFRS. With this respect, management identifies intangible assets or liabilities such as customer relationships, contractual agreements, tradenames and below-market or above-market leases. These assets and liabilities are valued based on assumptions regarding forecast revenues, operating costs and discounting rates. Intangible assets, other than tradenames with indefinite useful lives, are amortized over the estimated period of benefits arising from their use.

Provisions

The Company records provisions as liabilities to cover expected future payments related to product warranties and onerous contracts. Amounts are based on historical data, past experience and management's best knowledge of current events and actions that the Company may undertake in the future.

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

Fair value of equity-based compensation

Equity-based compensation, such as stock options granted to employees, is recognized as an expense even if no cash disbursement is required. Stock options granted are measured at fair value at grant date using the method known as the Black-Scholes option pricing model. This model takes into account factors such as expected duration of the option, expected volatility of the underlying security, and expected dividends. The determination of these factors is based on historical experience, financial performance of the Company, development plans of the Company, and the economic environment.

Asset impairment tests

Accounting standards require making impairment tests on long-lived assets such as property, plant and equipment, intangible assets and goodwill. The tests involve making assumptions as to discounted future cash flows arising from these assets. Historical data and development plans are the prime source of information used in these circumstances.

Income taxes and tax credits

The calculation of the income tax expense and tax credits related to R&D, training or investments requires judgement in determining the activities or expenses giving rise to a deduction or credit. Similar judgement is required in determining the right to use tax losses or credits carried over from past reorganizations. The effects of tax assessments differing from the Company's calculations could be material.

FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's financial instruments are classified as follows:

	2019	2018
	\$	\$
Financial instruments at fair value through profit or loss		
Other investments	8,866	—
Forward exchange contracts, included in receivables	55	—
Interest rate swap	(781)	(198)
Total	8,140	(198)
Financial assets at amortized cost		
Cash	5,982	10,559
Trade accounts receivable	8,065	6,809
Receivables from joint ventures	97	111
Receivables from associates	30	—
Loans and advances	10,522	11,271
Total	24,696	28,750
Financial liabilities at amortized cost		
Customers' deposits	6,154	5,757
Trade and other payables	25,713	22,024
Loans and advances from related parties	5,521	4,465
Dividends payable	435	273
Long-term debt including current portion	149,928	158,575
Total	187,751	191,094

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

Details of financial instrument risk management objectives and policies are described under Note 28 to the consolidated financial statements for 2019. Other comments follow:

Exchange risk related to assets and liabilities denominated in foreign currencies is limited as part of other investments is hedged through a forward exchange contract and the other amounts involved are short-term accounts payable. Regarding purchases of goods in foreign currencies, the Group is subject to the fluctuations of the US dollar and euro vis-à-vis the Canadian dollar. The Group may not always be in a position to adjust the sales price reflecting a variation in costs. Management has established a policy hedging forecasted US dollar purchases through the use of forward exchange contracts.

Interest rate risk arises from the fact that the balance outstanding under the acquisition term facility, currently \$76.0 million, bears interest at a floating rate through bankers' acceptances. Included in the floating rate is a fixed stamping fee tied to company performance of 2.25% which mitigates a portion of the interest rate risk. Moreover, the Company has concluded an agreement to swap the variable component of the financing cost to fixed interest on 80% of the term facility balance.

The credit risk related to the accounts receivable is almost non-existent due to the policy of requiring down payments on accepting sales orders and payment of any balance at time of delivery of goods. Credit risk related to the main loans is limited by guarantees on assets.

OTHER RISK FACTORS

Readers should refer to the risk factors included in the Annual Information Form available on New Look Vision's website at www.newlookvision.ca and on SEDAR at www.sedar.com. The information includes:

- Risks relating to the business such as:
 - Reliance on the availability of optometrists and other professionals,
 - Competition, including e-commerce,
 - Violation of confidential health information,
 - Technological changes and obsolescence regarding lens manufacturing processes,
 - Dependence on computer-assisted production equipment and information technology systems,
 - Difficulty of integrating acquired businesses,
 - Foreign sourcing, and
 - Non-compliance with laws and regulations regarding optometrists and opticians.
- Risks relating to the higher level of debt
- Risks related to jointly-owned stores and partners
- Risks related to franchise operations
- Risks relating to New Look Vision shares such as:
 - Unpredictability and volatility of the trading value of the shares,
 - No guarantee of dividends,
 - Leverage and restrictive covenants.

FUTURE ACCOUNTING CHANGES

New standards, amendments and interpretations to existing standards have been issued and may be applicable to the Company for its annual periods beginning after December 28, 2019.

IFRS 16 Leases ("IFRS 16")

The IASB has published IFRS 16 "Leases", to replace IAS 17 and related interpretations, completing its long-running project on lease accounting. IFRS 16 will require lessees to account for leases on balance sheet by recognizing a right-of-use asset and a lease liability. Exemptions for short-term leases and leases of low value assets will be permitted. The new standard will be effective for annual periods beginning on or after January 1, 2019. In the case of New Look Vision which has a year-end on the last Saturday of December, this means that the new standard will be compulsory for its 2020 fiscal year.

Management's Discussion and Analysis

For the years ended December 28, 2019 and December 29, 2018

Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

Thus far, the Group has assessed the requirements of IFRS 16 and has decided to use the "modified retrospective cumulative catch-up approach". Under the transition method chosen, comparative information is not restated. Based on the assessment undertaken to date, the Group estimates that it will recognize additional lease liability of approximately \$128.7 million and related right-of-use assets of \$127.4 million as at December 28, 2019. The amount of lease liability is higher than the amount of operating lease commitments, disclosed in Note 25, mainly due to extension options reasonably certain to be exercised. Lease-related expenses previously recorded in operating expenses, primarily as occupancy costs, will be reflected in the statement of earnings through depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. The Group is in the final stages of validating the final amounts of the impact on its consolidated balance sheets, which will be disclosed in the Group's unaudited interim condensed consolidated financial statements of the first quarter of fiscal year 2020. Therefore, there could be changes in the amounts specified above. IFRS 16 will change the presentation of cash flows relating to leases in the Company's Consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure.

As of December 28, 2019, an evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, was carried out under the supervision of the President and CEO, CFO, and with the participation of the Company's management. Based on that evaluation disclosure controls and procedures as described below, the President and CEO, and CFO concluded that as of December 28, 2019, the Company's disclosure controls were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (DC&P) (as defined in National Instrument 52-109) in order to provide reasonable assurance that material information relating to the Company is made known to management, including its Chief Financial Officer and its President and Chief Executive Officer, that information required to be disclosed under securities legislation is recorded and reported on a timely basis. Management is also responsible for the design of internal control over financial reporting (ICFR) (as defined in National Instrument 52-109) within the Group in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

New Look Vision's management, under the supervision of the President and CEO and the CFO, has evaluated the effectiveness as at December 28, 2019 of New Look Vision's DC&P and ICFR, and has concluded that they are effective. Changes in ICFR during the period beginning on September 29, 2019 and ended December 28, 2019 included the ongoing improved procedures related to the consolidation of the financial data of the corporate division and the operating units. Otherwise, there were no material changes in ICFR that have materially affected, or are reasonably expected to materially affect the internal control over financial reporting.

March 19, 2020



CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 28, 2019

Management's Responsibility for Financial Statements

For the years ended December 28, 2019 and December 29, 2018

The consolidated financial statements of New Look Vision Group Inc. ("New Look Vision") and the other financial information included in the annual report are the responsibility of the management and have been approved by the Board of Directors of New Look Vision. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and include amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

New Look Vision has maintained internal control systems designed to ensure that financial information is relevant and accurate and that assets are protected.

Management recognizes its responsibility for conducting New Look Vision's affairs in a manner to comply with the requirements of applicable laws and of established financial standards and principles and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial reporting process for the preparation of financial statements and other financial information through its Audit Committee, whose members are exclusively non-management directors. This committee's role is to review the financial statements and recommend approval to the Board of Directors and to review internal control and information protection systems and all other matters relating to New Look Vision's accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditor to review its audit plan and to discuss the results of its examination. This committee is also responsible for recommending the appointment of the external auditor.

New Look Vision's external auditor, Raymond Chabot Grant Thornton LLP, appointed by the shareholders at the annual general meeting, has audited the financial statements and report on the financial statements follows.



ANTOINE AMIEL
President and Chief Executive Officer
New Look Vision Group Inc.



TANIA M. CLARKE, CPA, CA, CPA (US)
Senior Vice-President and
Chief Financial Officer
New Look Vision Group Inc.

March 19th, 2020

Independent Auditor's Report

**Raymond Chabot
Grant Thornton LLP**
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec
H3B 4L8

T 514-878-2691

To the Shareholders of
New Look Vision Group Inc.

Opinion

We have audited the consolidated financial statements of New Look Vision Group Inc. (hereafter "the Company"), which comprise the consolidated balance sheets as at December 28, 2019 and December 29, 2018, and the consolidated statements of earnings and comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 28, 2019 and December 29, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis and in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Nancy Wolfe.

Raymond Cholet Grant Thornton LLP¹

Montréal
March 19, 2020

¹ CPA auditor, CA public accountancy permit no. A120795

Consolidated Statements of Earnings and Comprehensive Income

For the years ended December 28, 2019 and December 29, 2018
In thousands of Canadian dollars, except per share amounts

	2019	2018
	\$	\$
Revenues	297,865	291,032
Materials consumed	65,264	63,882
Employee remuneration expenses (Note 3)	101,529	99,058
Other operating expenses (Note 3)	80,589	79,506
Earnings before depreciation, amortization, loss on disposal, financial expenses, and income from investments in joint ventures and associates	50,483	48,586
Depreciation, amortization and loss on disposal (Note 3)	17,999	19,978
Financial expenses, net of interest revenue (Note 4)	8,719	9,720
Earnings before income from investments in joint ventures and associates and income taxes	23,765	18,888
Income from investments in joint ventures and associates (Note 22)	2,633	1,849
Earnings before income taxes	26,398	20,737
Income taxes (Note 18)		
Current	6,108	6,045
Deferred	892	298
Total income taxes	7,000	6,343
Net earnings and comprehensive income	19,398	14,394
Net earnings and comprehensive income attributed to:		
Non-controlling interest	644	201
Shareholders of New Look Vision	18,754	14,193
	19,398	14,394
Net earnings per share (Note 5)		
Basic	1.20	0.91
Diluted	1.20	0.91

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 28, 2019 and December 29, 2018
In thousands of Canadian dollars

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Earnings before income taxes	26,398	20,737
Adjustments:		
Depreciation, amortization and loss on disposal (Note 3)	17,999	19,978
Equity-based compensation expense (Note 3)	731	1,052
Financial expenses (Note 4)	9,154	10,015
Interest revenue (Note 4)	(435)	(295)
Other	(134)	(59)
Income from investments in joint ventures and associates (Note 22)	(2,633)	(1,849)
Income taxes paid	(4,714)	(8,016)
Cash flows related to operating activities before changes in working capital items	46,366	41,563
Changes in working capital items (Note 6)	(2,759)	(6,777)
Cash flows related to operating activities	43,607	34,786
INVESTING ACTIVITIES		
Business acquisitions (Note 7)	(5,427)	(1,268)
Acquisitions of other investments (Note 8)	(7,673)	—
Acquisitions of property, plant and equipment	(9,850)	(8,794)
Acquisitions of other intangible assets	(1,588)	(743)
Net variation of loans and advances	1,039	(489)
Interest received	227	270
Disposal of property, plant and equipment	109	74
Payment of balances of purchase price	(1,033)	(1,664)
Dividends received from investments in joint ventures and associates	1,446	1,302
Cash flows related to investing activities	(22,750)	(11,312)
FINANCING ACTIVITIES		
Repayments under the revolving facility	(13,025)	(7,550)
Borrowings under the revolving facility	12,900	6,600
Repayment of borrowings on the acquisition term facility	(9,500)	(9,500)
Dividends paid, net of dividends reinvested	(8,620)	(9,210)
Interest and finance fees paid	(8,671)	(8,321)
Net variation of loans and advances from related parties	1,070	1,148
Lease inducements	-	45
Cash received on exercise of options	412	226
Cash flows related to financing activities	(25,434)	(26,562)
Net decrease in cash	(4,577)	(3,088)
Cash, beginning of year	10,559	13,647
Cash, end of year	5,982	10,559

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

In thousands of Canadian dollars

	December 28, 2019	December 29, 2018
	\$	\$
ASSETS		
Current assets		
Cash	5,982	10,559
Receivables (Note 9)	10,684	9,469
Income taxes receivable	581	1,895
Loans and advances (Note 10)	6,292	7,353
Inventory	34,826	30,079
Prepaid expenses	3,196	3,717
Other investments (Note 8)	8,866	—
Total current assets	70,427	63,072
Loans and advances (Note 10)	4,230	3,918
Deferred tax assets (Note 18.2)	1,896	1,275
Property, plant and equipment (Note 11)	53,485	51,748
Investments in joint ventures and associates (Note 22)	20,979	19,778
Goodwill (Note 12)	112,457	109,952
Other intangible assets (Note 13)	122,830	124,747
Total assets	386,304	374,490
LIABILITIES		
Current liabilities		
Accounts payable, accrued liabilities and provisions (Note 14)	42,681	38,570
Loans and advances from related parties (Note 15)	5,521	4,465
Income taxes payable	811	723
Dividends payable	435	273
Instalments on long-term debt (Note 16)	10,369	24,996
Total current liabilities	59,817	69,027
Long-term debt (Note 16)	139,559	133,579
Other non-current liabilities (Note 17)	2,408	1,838
Deferred tax liabilities (Note 18.2)	25,675	24,386
Total liabilities	227,459	228,830
EQUITY		
Class A common shares	118,248	116,077
Contributed surplus	4,904	4,402
Retained earnings	18,778	10,512
Equity attributable to the shareholders of New Look Vision	141,930	130,991
Non-controlling interest	16,915	14,669
Total equity	158,845	145,660
Total liabilities and equity	386,304	374,490

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors

(Signed by) W. John Bennett

W. John Bennett
Chairman of the Board

(Signed by) Paul S. Echenberg

Paul S. Echenberg
Chairman of the Audit Committee

Consolidated Statements of Changes in Equity

For the years ended December 28, 2019 and December 29, 2018
In thousands of Canadian dollars, except for the number of shares

			Contributed surplus	Retained earnings	Equity attributable to		
	Class A common shares				Shareholders of New Look Vision	Non-controlling interest	Total equity
	Number	\$	\$	\$			
Balance as at December 29, 2018	15,568,746	116,077	4,402	10,512	130,991	14,669	145,660
Adjustment on initial application of IFRS 9 (Note 2.27)				(776)	(776)		(776)
Adjusted balance as at December 29, 2018	15,568,746	116,077	4,402	9,736	130,215	14,669	144,884
Net earnings				18,754	18,754	644	19,398
Equity-based compensation			731		731		731
Shares issued by New Look Vision:							
Pursuant to the exercise of options:							
In consideration of cash	20,000	476	(64)		412		412
Under the cashless exercise feature	6,572	165	(165)		—		—
Pursuant to the dividend reinvestment plan	50,815	1,530			1,530		1,530
Changes in non-controlling interest without a change in control				(340)	(340)	1,223	883
Non-controlling interest in a business acquisition (Note 7)					—	1,319	1,319
Dividends declared				(9,372)	(9,372)	(940)	(10,312)
Balance as at December 28, 2019	15,646,133	118,248	4,904	18,778	141,930	16,915	158,845

			Contributed surplus	Retained earnings	Equity attributable to		
	Class A common shares				Shareholders of New Look Vision	Non-controlling interest	Total equity
	Number	\$	\$	\$			
Balance as at December 30, 2017	15,475,028	115,132	3,504	5,642	124,278	16,350	140,628
Net earnings				14,193	14,193	201	14,394
Equity-based compensation			1,052		1,052		1,052
Shares issued by New Look Vision:							
Pursuant to the exercise of options:							
In consideration of cash	21,500	226			226		226
Under the cashless exercise feature	54,812	154	(154)		—		—
Pursuant to the dividend reinvestment plan	17,406	565			565		565
Non-controlling interest in a business acquisition					—	(1,156)	(1,156)
Dividends declared				(9,323)	(9,323)	(726)	(10,049)
Balance as at December 29, 2018	15,568,746	116,077	4,402	10,512	130,991	14,669	145,660

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 28, 2019 and December 29, 2018

Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

1. GOVERNING STATUTES AND ACTIVITIES

New Look Vision Group Inc. / Groupe Vision New Look Inc. ("New Look Vision" or the "Company"), incorporated under the Canada Business Corporations Act, is involved in the eye care industry in Canada. Its head office is located at 1 Place Ville-Marie, Montréal, Québec, Canada and its shares are listed on the Toronto Stock Exchange (TSX:BCI).

In these financial statements, a reference to the "Group" means New Look Vision and its subsidiaries. As at December 28, 2019 the Group operated four main banners: New Look Eyewear, Greiche & Scaff, Vogue Optical, and Iris The Visual Group.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Compliance with International Financial Reporting Standards (IFRS)

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are in effect as at December 28, 2019. They were approved and authorized for issue by the board of directors on March 19, 2020.

2.2 Measurement basis

The consolidated financial statements have been prepared using the historical cost basis except for derivative financial instruments and other investments, which are measured at fair value and investments in joint ventures and associates, which are measured using the equity method.

2.3 Principles of consolidation

The consolidated financial statements include the accounts of New Look Vision and its subsidiaries, which include entities over which New Look Vision is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to use its power to affect the amount of its return without owning shares of these entities. The non-controlling interest presented in the consolidated financial statements refers to the share of net earnings and net assets not held by New Look Vision. The major wholly-owned subsidiaries are Vogue Optical Group Inc. and Iris The Visual Group which operate the Vogue Optical and Iris banners, respectively. The New Look Eyewear and Greiche & Scaff banners are operated as divisions of New Look Vision. All inter-entity and inter-division transactions and balances have been eliminated.

Earnings of businesses acquired during the year are recognized from the effective date of acquisition.

2.4 Year-end

The year-end of New Look Vision and its subsidiaries is the last Saturday of December. The 2019 and 2018 fiscal years consisted of 52 weeks of operation.

2.5 Business acquisitions

Business acquisitions are accounted for using the acquisition method. Under this method, the Company measures the identifiable assets acquired and the liabilities assumed, including contingent liabilities, at their acquisition-date fair values, regardless of whether the assets and liabilities were previously recognized in the acquiree's financial statements.

Goodwill is recognized to the extent the fair value of consideration transferred and the recognized amount of any non-controlling interest in the acquiree exceed the acquisition-date fair value of the identifiable assets net of liabilities assumed; a negative amount would be recognized in earnings.

Acquisition related costs are expensed as incurred.

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2.6 Investments

Investments for which the Company has significant influence or joint control are accounted for using the equity method. The carrying amount of the investments in associates and joint ventures is increased or decreased to recognize the Group's share of the profit or loss of the associate or joint venture, adjusted when necessary to ensure consistency with the accounting policies of the Group. The carrying amount is decreased for the Group's share of dividends paid by the joint venture or associate.

Unrealized gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

2.7 Segment reporting

Management assesses performance of the Group as a single segment being eye care retail activities.

2.8 Revenue recognition

The Group recognizes revenue when control of the goods has been transferred, being when the goods are delivered to customers and there is no unfulfilled obligation that could affect the customers' acceptance of the goods. Revenue represents cash received or receivable from customers, net of sales taxes, rebates and discounts. Any revenue collected in advance is recorded as customers' deposits in line item "Accounts payable, accrued liabilities and provisions".

2.9 Operating leases

Total rents under operating leases are charged to expenses on a straight-line basis over the lease term. Any difference between the rent expense and the rent payable is reflected as provision for straight-line rent on the balance sheet. Lease term includes free rent periods as well as the construction period prior to the commencement of the lease.

2.10 Lease inducements

Lease inducements applicable to lease contracts are deferred and amortized as a reduction of operating costs over the lease term using the straight line method.

2.11 Tax credits

Tax credits related to research and development, and training are recognized to earnings when there is reasonable assurance that the entity claiming the tax credits will comply with the conditions attached to them and that the credits will be received.

Tax credits related to the acquisition of long-term assets are recorded as deferred liabilities and recognized in earnings over the life of a depreciable asset as a reduction to depreciation expense.

2.12 Equity-based compensation

Equity-based compensation, such as options to acquire New Look Vision shares granted to key employees, officers and directors, is part of the employee remuneration expense. Options to acquire shares are measured at fair value at the grant date using the Black-Scholes option pricing model.

The fair value of the options determined at the grant date is expensed over the vesting period, based on the Company's estimate of options that will eventually vest, with a corresponding increase in contributed surplus. At the end of each reporting period, the Company revises its estimate of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognized in earnings such that cumulative expenses reflects the revised estimate, with a corresponding adjustment to the contributed surplus. Forfeited options, for which the vesting period was in progress, are adjusted through earnings and contributed surplus. Balances in contributed surplus are transferred to share capital when the options are exercised. Proceeds from the exercise of options are credited to share capital.

2.13 Foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is also the functional currency. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-

Notes to the Consolidated Financial Statements

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monetary assets are translated at rates in effect at transaction dates. Current expenses in foreign currencies are translated at rates in effect at transaction dates. Exchange gains and losses are included in earnings.

2.14 Net earnings per share

Basic net earnings per share for a period are computed by dividing the net earnings attributed to shareholders of New Look Vision by the weighted average number of Class A shares outstanding in the period.

Diluted earnings per share for a period are calculated assuming that all dilutive stock options are exercised and that the proceeds obtained on the exercise of these options would be used to re-purchase shares at the average market price during the period. Out-of-the-money options during a period, that is options with a strike price higher than the average market price in the period, are not included in the computation of diluted earnings per share.

2.15 Financial instruments

Financial instruments are measured as follows:

	Level of fair value hierarchy ^(h)
At fair value through profit and loss	
Interest rate swaps ^(a)	2
Foreign exchange contracts ^(b)	2
Other investments ^(c)	3
At amortized cost	
Cash	
Trade accounts receivable ^(d)	
Receivables from joint ventures and associates ^(d)	
Loans and advances ^(e)	2
Trade and other payables ^(f)	
Loans and advances from related party	
Customers' deposits ^(f)	
Long-term debt ^(g)	2

- The fair value of interest rate swaps is currently presented as other non-current liabilities and the change in fair value is presented with the financing expenses. The fair value is determined by the bank issuing the swap.
- The fair value of foreign exchange contracts is either presented with the receivables or accounts payable, depending on market conditions, and the change in fair value is presented with the other operating expenses. The fair value is determined by the bank issuing the contracts.
- The fair value of other investments is determined by discounting future cash flows.
- The amortized cost of receivables, less any provision for bad debt, reflects their initial fair value. Discounting is omitted when determining the initial fair value.
- Long-term loans and advances are initially measured at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less a provision for impairment when applicable. Discounting is taken into account when measuring the initial fair value.
- Practically, the amortized cost of trade and other accounts payable and customers' deposits reflects their initial fair value. Discounting is omitted when determining the initial fair value.
- Long-term debt is initially measured at fair value less transaction costs. It is subsequently measured at amortized cost using the effective interest method. Discounting is taken into account when measuring the initial fair value.
- The levels of fair value hierarchy are: 1. Unadjusted quoted prices in active markets; 2. Prices based on observable market data, either directly or indirectly; 3. Prices based on unobservable data.

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2.16 Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in-first-out method. Cost includes the purchase price, import duties and transport. Trade discounts, rebates and other similar items are deducted in determining the cost. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.17 Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less accumulated depreciation and impairment losses. When property, plant and equipment are acquired in a business combination, the cost corresponds to the fair value at the acquisition date. Costs less residual value of property, plant and equipment are depreciated over their estimated useful lives. The following table shows the method and maximum periods in use:

	Method	Period
Computer equipment	Straight line	5 years
Optical equipment	Straight line	10 to 15 years
Other equipment, tools and signs	Straight line	4 to 10 years
Leasehold improvements	Straight line	Lease term including periods under option, maximum 10 years
Building		
Main structure	Straight line	40 years
Other components	Straight line	7 to 13 years
Land		No depreciation

Depreciation methods, useful lives and residual values are reviewed annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in earnings. Any write-off and loss on disposal are included with depreciation, amortization and loss on disposal in the statements of earnings and comprehensive income.

2.18 Goodwill

Goodwill represents the future economic benefits arising from the net assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is subject to impairment testing described below.

2.19 Other intangible assets

Other intangible assets include tradenames, application software, lease contracts acquired under favourable conditions, customer relationships, and contractual agreements (including non-competition agreements). Except for the tradenames with indefinite useful lives as described below, they are accounted for at cost less accumulated amortization and impairment losses. When an intangible asset is acquired in a business combination, the cost corresponds to the fair value at the acquisition date. The value allocated to a depreciable intangible asset is amortized on a straight-line basis over the estimated duration of the benefits expected from the asset, that is: a) in the case of a lease contract, its duration; b) an application software, from 5 to 10 years; c) customer relationships, from 5 to 20 years; d) a contractual agreement, its duration; e) amortizable tradenames, from 5 to 15 years. Residual value, amortization methods and useful lives are reviewed at least annually. In addition, the other intangible assets are subject to impairment testing as described below.

Tradenames with an indefinite useful life

Tradenames with indefinite useful lives are recorded at cost and are not amortized. They are subject to asset impairment testing as described below. Management considers that the recognized tradenames are closely linked to the Group's well-established divisions and operations and, as such, have indefinite useful lives. The useful life is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment.

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2.20 Non-financial asset impairment

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant, equipment and other intangible assets, excluding tradenames with indefinite useful lives, to determine whether there is an indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash generating unit is the lowest level for which there are separately identifiable cash flows.

The tradenames with an indefinite useful life are tested for impairment at least annually and more frequently whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, goodwill acquired in business combinations is allocated to those cash generating units expected to benefit from the synergies of these combinations which represents the lowest level within the Company at which management monitors goodwill. Management has established that this level corresponds to the banners under which stores are operated. These groups of cash generating units are tested for impairment annually, or more frequently when there is an indication that goodwill may be impaired.

An impairment loss is recognized when the carrying amount of an asset exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value-in-use. The value-in-use corresponds to the estimated future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss for a cash-generating unit is first allocated to reduce the carrying amount of goodwill to nil and then pro-rata to the carrying amount of the other assets in the cash-generating unit. Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. See Notes 12 and 13 for impairment testing of tradenames and goodwill.

2.21 Employee remuneration

Accounts payable, accrued liabilities, and provisions include accrued salaries and benefits, such as vacations, measured at the undiscounted amount that the Group expects to pay.

2.22 Provisions

Provisions reflect present obligations, of uncertain timing or amount, arising as a result of a past event. They are recognized when it is probable that an outflow of economic resources will occur and related amounts can be estimated reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date. Discounting is omitted when its effect is immaterial.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. See details in Note 14.

2.23 Income taxes

Tax expense recognized in net earnings comprises the sum of current and deferred taxes.

Current income tax liabilities or assets comprise those obligations to, or claims from, tax authorities relating to the current or prior periods, that are unpaid or receivable at the balance sheet date. Current tax is payable on taxable income, which differs from earnings in the financial statements. Calculation of current tax is based on rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are determined according to temporary differences between the carrying amount of assets and liabilities and their tax bases, carried-forward tax losses and deferred tax credits. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax assets and liabilities are calculated, without discounting, at the tax rates that are

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expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The effect of a change in tax rates on deferred income tax assets or liabilities is recognized in earnings in the period in which the change occurs.

Deferred tax assets are recognized to the extent that it is probable that the underlying deductible temporary difference, tax loss or tax credit will be utilized to reduce future income taxes. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities of an entity of the Group are offset only when the entity has a right and intention to set off current tax assets and liabilities from the same taxation authority.

2.24 Equity

The carrying value of Class A common shares represents the amounts received on the issue of these shares and the amounts transferred from contributed surplus on the exercise of options. Issuance costs of shares are deducted from their carrying value.

Contributed surplus includes discounts on re-purchase of shares and amounts corresponding to equity-based compensation expenses previously recorded, net of amounts transferred to share capital on the exercise of options.

Retained earnings include all current and prior period retained profits or losses.

2.25 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimates, that management has made in the process of applying the accounting policies of the Group that have the most significant effect on financial statements.

Allocation of goodwill to specific banners. As mentioned in Note 2.20, for the purpose of impairment testing, goodwill must be allocated to cash-generating units expected to benefit from the synergies of business combinations. Under this requirement, management has determined that the most representative level of cash-generating units is the banner level, although management also recognizes that the Group as a whole also benefits from the synergies of any business acquisition. Management's determination could result in the impairment of the goodwill of a banner while the recoverable amounts of the other banners would exceed the impairment amount.

Determination as to whether tradenames have an indefinite useful life. Management's determination that the tradenames New Look Eyewear, Vogue Optical, Greiche & Scaff, Iris and certain others have an indefinite useful life and are thus not amortized, is justified in Note 2.19.

Consolidation of entities without owning shares. The Company consolidates the activities, assets and liabilities of companies without owning shares of these entities. Management has determined that by virtue of agreements with these entities, the Company is exposed to variable returns from its involvement and has the ability to affect those returns through its power over the entities.

Determination of impairment indicators. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are a subjective process involving judgement and a number of estimates and assumptions in many cases. Management has currently determined that the contribution of stores or certain groups of stores is the best impairment indicator.

2.26 Estimation uncertainty

The following are the assumptions concerning the future, and other major sources of estimate uncertainty, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful life of property, plant and equipment. The estimate of the useful life of property, plant and equipment is based on historical experience and assumptions related to obsolescence caused by new technologies and the Company's objectives of using state-of-the-art equipment and of maintaining fashionable stores. Note 2.17 shows the current estimation of useful lives.

Useful life of intangible assets. The estimate of the useful life of application software is based on historical experience, the annual maintenance and updating services, and the reputation of the supplier. The estimate of the useful life of customer relationships acquired is based on an analysis of sales experience of the seller and the Company's estimated capacity to reach such customers.

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The estimate of the useful life contracts, such as non-competition agreements, is based on the duration of the contracts. Note 2.19 shows the current estimates of useful lives.

Business acquisitions. On initial recognition, the assets and liabilities of an acquired business are included in the balance sheet at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates, which in turn are based on assumptions about the behavior of market participants.

Provisions. Current provisions relate to product warranties, lease termination, onerous contracts, store closures and restructuring. The amounts of provisions were estimated based on historical data and past experience. See Note 14 for further details.

Assumptions in applying the Black-Scholes method for the determination of equity-based compensation related to options granted. The method requires assumptions regarding expected values such as: duration of the options, percentage of the options which will not be exercised, volatility of New Look Vision shares, and dividends. These values are based on information known to management at the time the options are granted. It includes historical experience, financial performance of the Company, development plans of the Company, and economic environment.

Asset impairment. Asset impairment tests, described in Note 2.20, require measuring the recoverable amount of certain assets. For this purpose, management has to make assumptions such as discounted future cash flows derived from the use of assets. Historical data and development plans are the prime sources of information used in these circumstances.

Allowance for inventory obsolescence. The Company estimates an allowance for obsolescence based on the ability to sell the inventories and historical experience.

Income taxes. The calculation of income tax expense and, consequently, the deferred income tax asset or liability requires determining factors such as the deductibility of expenses, the restrictions in deductibility if any, the rate of depreciation when applicable, and the possibility to use carried-forward tax losses based on the entity's ability to generate future taxable income. For the purpose of these calculations, management exercises judgement by making interpretations and using past experience and the services of tax experts. The effects of tax assessments differing from an entity's calculations could be material.

2.27 Changes in significant accounting policies

IFRS 9, *Financial Instruments*

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the Group applied transitional relief and opted not to restate prior periods.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value:

- It is held within a business model whose objective is to hold assets and to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest.

Financial liabilities are measured at amortized cost, unless they must be measured at fair value through profit or loss (as for derivatives) or if the Group elects to measure them at fair value through profit and loss.

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The following table summarizes the change in classification.

	Original classification under IAS 39	New classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Trade accounts receivable	Loans and receivables	Amortized cost
Receivables from joint ventures	Loans and receivables	Amortized cost
Receivables from associates	Loans and receivables	Amortized cost
Loans and advances	Loans and receivables	Amortized cost
Other investments	-	Fair value through profit or loss
Customers' deposits	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Loans and advances from related parties	Amortized cost	Amortized cost
Dividends payable	Amortized cost	Amortized cost
Long-term debt including current portion	Amortized cost	Amortized cost
Forward exchange contracts	Fair value through profit or loss	Fair value through profit or loss
Interest rate swap	Fair value through profit or loss	Fair value through profit or loss

On transition to IFRS 9, the Group prospectively uses an expected credit loss model for the impairment of financial assets in replacement of the previous credit loss event approach. The Group now measures credit loss allowances related to trade account receivables and receivables from joint ventures and associates at an amount equal to lifetime expected credit loss. Loss allowances related to loans and advances will generally be measured at an amount equal to 12-month expected credit loss.

There is no impact related to classification and measurement of financial assets and new impairment requirements on the Group's consolidated financial statements.

IFRS 9 introduces new accounting for modifications of financial liabilities and requires the Group to recognize any adjustments to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange, regardless of whether the changes are substantial and result in derecognition. The Company previously modified the terms for the credit facilities, which did not result in the derecognition of those debts. The transition to IFRS 9 resulted in an increase of \$1.1 million in the carrying amount of the long-term debt, a decrease in the deferred tax liability of \$0.3 million and a decrease in the opening retained earnings of \$0.8 million for the 2019 fiscal year. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognized as an adjustment to the opening balance of retained earnings for the year ended December 28, 2019.

The transition to IFRS 15 resulted in no adjustment to opening retained earnings as at December 29, 2018.

2.28 IFRSs issued but not yet effective

At the date of authorization of these financial statements, certain new standards, interpretations and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information of those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company's consolidated financial statements.

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IFRS 16, Leases

The IASB has published IFRS 16 "Leases", to replace IAS 17 and related interpretations, completing its long-running project on lease accounting. IFRS 16 will require lessees to account for leases on balance sheet by recognizing a right-of-use asset and a lease liability. Exemptions for short-term leases and leases of low value assets will be permitted. The new standard will be effective for annual periods beginning on or after January 1, 2019. In the case of New Look Vision which has a year-end on the last Saturday of December, this means that the new standard will be compulsory for its 2020 fiscal year.

Thus far, the Group has assessed the requirements of IFRS 16 and has decided to use the "modified retrospective cumulative catch-up approach". Under the transition method chosen, comparative information is not restated. Based on the assessment undertaken to date, the Group estimates that it will recognize additional lease liability of approximately \$128.7 million and related right-of-use assets of \$127.4 million as at December 28, 2019. The amount of lease liability is higher than the amount of operating lease commitments, disclosed in Note 25, mainly due to extension options reasonably certain to be exercised. Lease-related expenses previously recorded in operating expenses, primarily as occupancy costs, will be reflected in the statement of earnings through depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. The Group is in the final stages of validating the final amounts of the impact on its consolidated balance sheets, which will be disclosed in the Group's unaudited interim condensed consolidated financial statements of the first quarter of fiscal year 2020. Therefore, there could be changes in the amounts specified above. IFRS 16 will change the presentation of cash flows relating to leases in the Company's Consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

3. UNDERLYING COMPONENTS IN CONSOLIDATED EARNINGS

	2019	2018
	\$	\$
3.1 Employee remuneration expenses		
Salaries and social security costs	100,798	98,006
Equity-based compensation	731	1,052
	101,529	99,058
3.2 Amounts included in other operating expenses		
Acquisition-related costs	1,748	1,398
3.3 Depreciation, amortization and loss on disposal of assets		
Depreciation of property, plant and equipment, net of amortization of deferred investment tax credits	10,503	12,038
Amortization of other intangible assets	7,117	7,504
Impairment and loss on disposal of long-term assets	379	436
	17,999	19,978

4. FINANCIAL EXPENSES, NET OF INTEREST REVENUE

	2019	2018
	\$	\$
Interest on long-term debt	7,787	8,677
Amortization of deferred costs related to the issuance of debt	316	860
Change in fair value of interest rate swap	583	9
Other financing expenses	468	469
Financial expenses	9,154	10,015
Interest revenue	435	295
Financial expenses, net of interest revenue	8,719	9,720

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5. NET EARNINGS PER SHARE

	2019	2018
Net earnings attributed to shareholders of New Look Vision	\$18,754	\$14,193
Weighted average number of common shares used in basic earnings per share	15,615,332	15,523,770
Dilutive effect of stock options	30,548	93,710
Weighted average number of common shares used in diluted earnings per share	15,645,880	15,617,480
Net earnings per share		
Basic	\$1.20	\$0.91
Diluted	\$1.20	\$0.91
Out-of-the-money options to purchase New Look Vision shares for the year ^(a)	159,000	106,000

- a) Out-of-the-money options to purchase New Look Vision shares for a period are options with a strike price that is higher than the market price of New Look Vision shares in that period. These shares are not included in the computation of diluted earnings per share.

6. UNDERLYING COMPONENTS IN CONSOLIDATED CASH FLOWS

The changes in working capital items related to operating activities are detailed as follows:

	2019	2018
	\$	\$
Receivables	(487)	(1,553)
Inventory	(3,823)	(474)
Prepaid expenses	621	(1,977)
Accounts payable, accrued liabilities and provisions	930	(2,773)
Decrease in cash	(2,759)	(6,777)

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7. BUSINESS ACQUISITIONS

The Group acquired ten retail optical stores in 2019. The acquisitions were made to enhance the Group's position in the optical business in Canada. The combined purchase price allocation at December 28, 2019 was as follows:

	2019 \$
Recognized amounts of identifiable net assets	
Current assets	1,097
Current liabilities	(418)
Property, plant and equipment	1,373
Intangible assets	3,308
Non-current liabilities	(150)
Identifiable net assets	5,210
Goodwill^(a)	2,505
Total net assets acquired	7,715
Amount paid in cash	5,427
Balances payable	982
Non-controlling interest	1,319
Fair value of previously held interest in equity accounted investees	(13)
Total consideration	7,715

- a) Goodwill is attributed to the workforce, the locations of the stores, the relationships with optometrists, know-how and expected synergies from combining activities of the businesses acquired with those of the Group. Management estimates that \$2.4 million of goodwill will be amortizable for tax purposes.

The consideration paid in cash was financed from the credit facilities.

8. OTHER INVESTMENTS

On May 8, 2019, the Group entered into a strategic relationship with Topology Eyewear, a San Francisco based leader in bespoke eyewear, through an investment of \$4.1 million (US\$3.0 million) in a convertible promissory note bearing annual interest of 3%. On December 2, 2019, an additional \$3.6 million (US\$2.7 million) was invested under the same terms. The promissory note was amended to include the total amount invested and is measured at fair value through profit or loss.

9. RECEIVABLES

	2019 \$	2018 \$
Trade accounts and other receivables	8,065	6,809
Sales taxes	2,492	2,549
Receivables from joint ventures	97	111
Receivables from associates	30	—
	10,684	9,469

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10. LOANS AND ADVANCES

	2019 \$	2018 \$
Loans to an entity related to a key management member, 5% interest, repayable from July 31, 2020 to May 14, 2022, and the loans are guaranteed by New Look Vision shares having an approximate value of \$3.4 million.	1,661	1,180
Advances to joint ventures and associates, bearing interest between 3% to 5% and with no specific terms of repayment	3,592	4,505
Advances to joint ventures and associates, bearing 3% to 5% interest, repayable over the next 5 years	2,107	2,471
Advances to joint ventures and associates without interest and with no specific terms of repayment	1,283	1,552
Advance to shareholders, bearing 1.89% interest, repayable over the next 5 years	159	159
Various professional loans, bearing 4% to 6.5% interest, repayable over the next 5 years	611	172
Various professional loans, without interest, repayable over the next 5 years	1,109	1,232
	10,522	11,271
Amounts due within one year	6,292	7,353
	4,230	3,918

11. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Building \$	Leasehold improvements \$	Computer equipment \$	Optical equipment \$	Other equipment, tools and signs \$	Deposit to acquire equipment \$	Total \$
Gross carrying amount								
Balance as at December 29, 2018	1,702	4,793	48,446	5,542	16,789	50,428	263	127,963
Reclassification	—	—	97	3	—	152	(252)	—
Acquisitions through business combinations	—	—	741	1	369	262	—	1,373
Other acquisitions	—	11	3,312	486	4,485	2,984	128	11,406
Disposals	—	—	(1,182)	(98)	(163)	(5,774)	—	(7,217)
Balance as at December 28, 2019	1,702	4,804	51,414	5,934	21,480	48,052	139	133,525
Accumulated depreciation								
Balance as at December 29, 2018	—	1,159	28,644	4,046	5,878	36,488	—	76,215
Depreciation	—	242	4,295	595	1,941	3,590	—	10,663
Impairment	—	—	235	—	—	—	—	235
Disposals	—	—	(1,154)	(95)	(101)	(5,723)	—	(7,073)
Balance as at December 28, 2019	—	1,401	32,020	4,546	7,718	34,355	—	80,040
Net carrying amount as at December 28, 2019	1,702	3,403	19,394	1,388	13,762	13,697	139	53,485
Leased assets included in net carrying amount	—	—	—	—	—	22	—	22

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For the years ended December 28, 2019 and December 29, 2018

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	Land	Building	Leasehold improvements	Computer equipment	Optical equipment	Other equipment, tools and signs	Deposit to acquire equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount								
Balance as at December 30, 2017	1,702	4,740	44,833	4,512	15,137	48,583	467	119,974
Reclassification	—	—	130	23	286	(41)	(316)	82
Purchase price allocation adjustment	—	—	(103)	—	66	—	—	(37)
Other acquisitions	—	53	3,943	1,013	1,405	2,234	112	8,760
Disposals	—	—	(357)	(6)	(105)	(348)	—	(816)
Balance as at December 29, 2018	1,702	4,793	48,446	5,542	16,789	50,428	263	127,963
Accumulated depreciation								
Balance as at December 30, 2017	—	909	24,218	3,199	4,062	32,142	—	64,530
Reclassification	—	—	—	6	19	121	—	146
Depreciation	—	250	4,612	845	1,842	4,521	—	12,070
Impairment	—	—	108	—	—	—	—	108
Disposals	—	—	(294)	(4)	(45)	(296)	—	(639)
Balance as at December 29, 2018	—	1,159	28,644	4,046	5,878	36,488	—	76,215
Net carrying amount as at December 29, 2018	1,702	3,634	19,802	1,496	10,911	13,940	263	51,748
Leased assets included in net carrying amount	—	—	—	—	—	35	—	35

12. GOODWILL

The change in the carrying amount of goodwill resulted from the business acquisitions:

	2019	2018
	\$	\$
Balance, beginning of year	109,952	114,575
Acquired through business acquisitions	2,505	—
Adjustments to prior year business acquisitions	—	(4,623)
Balance, end of year	112,457	109,952

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Impairment tests of goodwill

Goodwill was tested for impairment on December 28, 2019 and December 29, 2018. For the purpose of annual impairment testing, goodwill is allocated to the following store banners expected to benefit from the synergies of the business acquisitions:

	2019	2018
	\$	\$
New Look Eyewear	11,902	11,902
Vogue Optical	47,324	47,165
Greiche & Scaff	6,352	6,352
Iris	40,597	38,318
Others	6,282	6,215
Balance, end of year	112,457	109,952

The recoverable amounts of these banners were estimated based on the present value of the future cash flows, covering the three-year forecasts, expected to be derived from these banners (value in use), using an average discount pre-tax rate of 9.8% at December 28, 2019 (10.1% at December 29, 2018) and a terminal value growth rate of 2% from 2023. The growth rate reflects the minimum expected long-term growth rate of the store banners.

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the most recent budget period. Prices and wages reflect publicly available forecasts of inflation for the industry.

The recoverable amounts were estimated to be higher than the carrying amounts and no impairment was required.

13. OTHER INTANGIBLE ASSETS

	Tradenames	Leases ^(a)	Application software	Customer relationships	Contractual agreements ^(b)	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance as at December 29, 2018	54,558	150	5,646	71,488	14,026	145,868
Acquisitions through business combinations	273	41	—	2,413	581	3,308
Other acquisitions	31	—	1,756	105	—	1,892
Disposals	—	—	(62)	(55)	(43)	(160)
Balance as at December 28, 2019	54,862	191	7,340	73,951	14,564	150,908
Accumulated amortization						
Balance as at December 29, 2018	699	141	3,551	10,609	6,121	21,121
Amortization	272	10	552	4,748	1,535	7,117
Disposals	—	—	(62)	(55)	(43)	(160)
Balance as at December 28, 2019	971	151	4,041	15,302	7,613	28,078
Net carrying amount as at December 28, 2019	53,891	40	3,299	58,649	6,951	122,830

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	Tradenames	Leases ^(a)	Application software	Customer relationships	Contractual agreements ^(b)	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance as at December 30, 2017	36,694	537	4,963	79,568	26,279	148,041
Reclassification	—	—	4	26	(26)	4
Purchase price allocation adjustment	17,975	—	—	(7,382)	(11,394)	(801)
Other acquisitions	—	—	682	58	15	755
Disposals	(111)	(387)	(3)	(782)	(848)	(2,131)
Balance as at December 29, 2018	54,558	150	5,646	71,488	14,026	145,868
Accumulated amortization						
Balance as at December 30, 2017	524	514	2,949	6,652	4,921	15,560
Reclassification	—	—	(21)	—	—	(21)
Amortization	286	14	626	4,539	2,039	7,504
Impairment	—	—	—	106	—	106
Disposals	(111)	(387)	(3)	(688)	(839)	(2,028)
Balance as at December 29, 2018	699	141	3,551	10,609	6,121	21,121
Net carrying amount as at December 29, 2018	53,859	9	2,095	60,879	7,905	124,747

a) Leases in the above tables are contracts acquired under favourable conditions.

b) Contractual agreements include non-competition agreements and other contractual agreements.

Impairment test of tradenames with an indefinite useful life

The New Look Eyewear, Vogue Optical, Greiche & Scaff and Iris tradenames are not amortized as management considers that they have an indefinite useful life. Consequently, they were tested for impairment on December 28, 2019 and December 29, 2018. The tests indicated that an impairment charge was not necessary.

The carrying value of the tradenames with indefinite useful lives are as follows:

	2019	2018
	\$	\$
New Look Eyewear	2,500	2,500
Vogue Optical	9,700	9,700
Greiche & Scaff	6,300	6,300
Iris	31,615	31,615
Others	1,860	1,860
	51,975	51,975

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14. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

	2019	2018
	\$	\$
Trade and other payables	25,713	22,024
Salaries and accrued benefits	9,270	9,637
Customers' deposits	6,154	5,757
Provisions	1,544	1,152
	42,681	38,570

All provisions are considered current and the Company is not eligible for any reimbursement by third parties.

The above provisions for 2019 reconcile as follows:

	Product warranties	Onerous contracts	Total
Carrying amount as at December 29, 2018	1,152	—	1,152
Additional provision	1,859	409	2,268
Amount utilized	(1,876)	—	(1,876)
Carrying amount as at December 28, 2019	1,135	409	1,544

15. LOANS AND ADVANCES FROM RELATED PARTIES

	2019	2018
	\$	\$
Advances from joint ventures and associates, bearing 5% interest with no specific terms of repayment	5,351	4,455
Advances from joint ventures and professionals, without interest with no specific terms of repayment	170	10
	5,521	4,465

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16. LONG-TERM DEBT

16.1 Outstanding long-term debt

	2019 \$	2018 \$
Revolving facility, effective rates between 4.41% and 5.20% (5.19% and 5.95% as of December 29, 2018) ^(a)	23,225	23,350
Acquisition term facility, repayable upon maturity in October 2023 ^(b) , effective rates between 4.59% and 5.20% (5.19% and 5.95% as of December 29, 2018) ^(a)	76,000	85,500
Subordinated debt to a development capital fund, repayable upon maturity in February 2024, nominal rate of 5.5% (6.75% as of December 29, 2018) ^(a)	15,000	15,000
Subordinated debt to a development capital fund, repayable upon maturity in October 2022, nominal rate of 5.5% (5.5% as of December 29, 2018) ^(a)	35,000	35,000
Balances of purchase price, interest varying from 0% to 5%, with repayments up to 2023	1,679	1,753
Other	68	134
Total debt	150,972	160,737
Deferred costs related to the issuance of debt ^(a)	(1,044)	(2,162)
	149,928	158,575
Instalments due within one year	10,369	24,996
	139,559	133,579

- a) Transaction costs related to the acquisition term facility and the subordinated debts are included in the deferred costs presented above. They are amortized using the effective interest method. The transition to IFRS 9 resulted in a decrease in the balance of deferred costs related to the issuance of debt by \$1.1 million on transition date.
- b) On September 30, 2019, the maturity was extended to October 24, 2023 and the rates were reduced.

16.2 Credit facilities

The main elements of the credit facilities are the following:

- A revolving facility, with a maximum draw-down of \$50.0 million, which finances working capital, capital expenditures, and general corporate activities. Use of this facility is treated as a long-term debt as repayment is not required until maturity.
- An acquisition term facility with an initial draw-down of \$95.0 million, which financed business acquisitions, reimbursement of previous debt balances, and general corporate activities.
- An unused accordion feature with a maximum draw-down of \$35.0 million to finance business acquisitions.

Additional details regarding the credit facilities are as follows:

- The facilities are available by way of prime rate basis loans, US base rate loans, Libor loans, bankers' acceptances, and letters of credit and all mature on October 24, 2023.
- Interest rates range as follows:
 - Prime rate basis loans: prime, plus a margin varying from 0.5% to 2%.
 - Stamping fees on bankers' acceptances: 1.5% to 3%.
 - Standby charges applied to the unused balance of the revolving facility: 0.3% to 0.6%.
- Repayments on the acquisition term facility represent \$2.4 million per quarter until the full repayment of the balance at maturity.
- New Look Vision must respect certain financial covenants. These covenants were met as at and for the years ended, December 28, 2019 and December 29, 2018.

Notes to the Consolidated Financial Statements

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16.3 Reconciliation of liabilities arising from financing activities

	Long-term debt	Loans and advances from related parties	Total
	\$	\$	\$
Balance as at December 29, 2018	158,575	4,465	163,040
Cash flows:			
Repayment under the acquisition-term facility	(9,500)	—	(9,500)
Repayments under the revolving facility	(13,025)	—	(13,025)
Borrowings under the revolving facility	12,900	—	12,900
Deferred finance fees and transaction costs	(253)	—	(253)
Cash flows - Investing:			
Payment of balances of purchase price	(1,033)	—	(1,033)
Net variation of loans and advances from related parties	—	1,070	1,070
Non-cash:			
Holdback on business acquisition	923	—	923
Amortization of deferred finance fees	316	—	316
Adjustment on initial application of IFRS 9 (Note 2.27)	1,055	—	1,055
Other	(30)	(14)	(44)
Balance as at December 28, 2019	149,928	5,521	155,449

	Long-term debt	Loans and advances from related parties	Total
	\$	\$	\$
Balance as at December 30, 2017	169,204	3,887	173,091
Cash flows:			
Repayment under the acquisition-term facility	(9,500)	—	(9,500)
Repayments under the revolving facility	(7,550)	—	(7,550)
Borrowings under the revolving facility	6,600	—	6,600
Deferred finance fees and transaction costs	(375)	—	(375)
Cash flows - Investing:			
Business acquisitions	(254)	—	(254)
Payment of balances of purchase price	(1,664)	—	(1,664)
Net variation of loans and advances from related parties	—	1,148	1,148
Non-cash:			
Assumed upon business acquisition	(141)	—	(141)
Holdback on business acquisition	(37)	—	(37)
Amortization of deferred finance fees	2,287	—	2,287
Other	5	(570)	(565)
Balance as at December 29, 2018	158,575	4,465	163,040

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17. OTHER NON-CURRENT LIABILITIES

	2019	2018
	\$	\$
Interest rate swap	781	198
Deferred lease inducements	834	659
Provision for straight-line rent	407	483
Deferred investment tax credits	386	498
	2,408	1,838

18. INCOME TAXES

18.1 Income tax expense

The income tax expense comprises:

	2019	2018
	\$	\$
Current tax expense:		
In relation with the current activities	5,830	5,938
In relation with adjustments recognized in the year for current tax of prior years	278	107
Total current tax expense	6,108	6,045
Deferred tax expense:		
Origination and reversal of temporary differences	(1,479)	(266)
Utilization of unused tax losses and tax credits	2,371	564
Total deferred tax expense	892	298
Total income taxes	7,000	6,343

The principal items which resulted in differences between the Group's effective income tax rate (26.5% in 2019 and 30.6% in 2018) and the combined statutory rate are detailed as follows:

	2019	2018
	\$	\$
Earnings before income taxes	26,398	20,737
Current statutory income tax rate	28.2%	28.2%
Income tax expense at statutory rate	7,444	5,860
Increase (decrease) in taxes resulting from:		
Income from investments in joint ventures and associates	(622)	(486)
Permanent differences	(71)	637
Changes in tax rates	(281)	137
Adjustments for prior years	312	280
Other	218	(85)
Income tax expense	7,000	6,343

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18.2 Deferred tax assets (liabilities)

Deferred taxes arising from temporary differences and unused tax losses and tax credits are summarized as follows (negative balances represent deferred tax liabilities):

	Balance as at Dec 29, 2018	Business acquisitions	Recognized in earnings	Recognized in retained earnings	Balance as at Dec 28, 2019
	\$	\$	\$	\$	\$
Unused tax losses, tax credits and deferred expenses	5,668	—	(1,388)	—	4,280
Temporary differences ^(a) :					
Property, plant and equipment	(3,262)	(11)	(404)	—	(3,677)
Other assets	(23,960)	(45)	1,552	—	(22,453)
Cumulative amortization of goodwill ^(b)	(2,631)	—	(1,066)	—	(3,697)
Provisions	549	—	74	—	623
Liabilities	525	—	340	280	1,145
	(23,111)	(56)	(892)	280	(23,779)

- a) Temporary differences between carrying value and tax basis.
b) No deferred tax was recorded on the initial recognition of goodwill. However, a deferred tax liability is calculated on amortization of goodwill for tax purposes.

Deferred taxes for the comparative year are summarized as follows:

	Balance as at Dec 30, 2017	Business acquisitions	Recognized in earnings	Balance as at Dec 29, 2018
	\$	\$	\$	\$
Unused tax losses, tax credits and deferred expenses	6,092	—	(424)	5,668
Temporary differences ^(a) :				
Property, plant and equipment	(3,772)	—	510	(3,262)
Other assets	(24,387)	199	228	(23,960)
Cumulative amortization of goodwill ^(b)	(2,466)	—	(165)	(2,631)
Provisions	814	—	(265)	549
Liabilities	707	—	(182)	525
	(23,012)	199	(298)	(23,111)

- a) Temporary differences between carrying value and tax basis.
b) No deferred tax was recorded on the initial recognition of goodwill. However, a deferred tax liability is calculated on amortization of goodwill for tax purposes.

19. DIVIDENDS

19.1 Dividends declared

New Look Vision declared dividends of \$0.15 per Class A common share in each quarter of 2019 and 2018.

Dividends shown as paid in the statements of cash flows are net of dividends reinvested in New Look Vision Class A common shares pursuant to the dividend reinvestment plan. The dividends reinvested in 2019 totaled \$1.5 million (\$0.6 million in 2018). Amounts of dividends declared in a period differ from the amounts paid in that period due to timing differences.

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19.2 Dividend reinvestment plan (DRIP)

The DRIP provides Canadian resident shareholders with the opportunity to reinvest their cash dividends in New Look Vision Class A common shares without incurring brokerage commissions, service charges or brokerage fees. Shares acquired under the DRIP are, at the discretion of New Look Vision, either purchased on the open market or issued from treasury. The purchase price from the reinvestment of cash dividends is determined as follows:

- In the case of treasury shares, the weighted average trading price for the five trading days preceding the dividend payment date less a discount, if any, of up to 5% at New Look Vision's election;
- In the case of shares purchased on the open market, the average of actual price paid (excluding brokerage commissions, fees and transaction costs) during the five business days following the dividend payment date.

Since the inception of the plan, New Look Vision has issued shares from treasury with a discount of 5%. The number of shares reserved by the Toronto Stock Exchange for the DRIP was 67,296 as at December 28, 2019.

See Statement of Changes in Equity for shares issued under the DRIP in 2019 and 2018.

20. SHARE CAPITAL

20.1 Authorized share capital as at December 28, 2019 and December 29, 2018

Class A common shares

Unlimited number, voting and participating.

First preferred shares

Unlimited number, issuable in series, whose designation, rights, privileges, restrictions and conditions attaching to each series shall be established at issue time.

Class A preferred shares

Unlimited number, non-voting, non-participating, redeemable and retractable.

20.2 Outstanding share capital as at December 28, 2019 and December 29, 2018

The only shares outstanding as at December 28, 2019 and December 29, 2018 are the Class A common shares, the continuities of which are presented in the consolidated statements of changes in equity.

21. STOCK OPTION PLAN

Under its Stock Option Plan, New Look Vision may grant options to acquire its shares to key employees, officers and directors. The exercise price of each option reflects the average market price of the shares for the five business days preceding the grant date and an option's maximum term may not exceed ten years. Options vest according to a period established by the Board of Directors at the time the options are granted. As of December 28, 2019, the option terms varied from five to seven years and the vesting periods were either : a) one third at the grant date, an additional one third after one year and the balance at the end of the second year; or b) one third after one year, an additional one third at the end of the second year, and the balance at the end of the third year.

The option plan contains a "cashless exercise" feature allowing the settlement of the intrinsic value of an option (excess of fair value over the exercise price) by, at the discretion of the Company, a cash payment or the issuance of New Look Vision shares to the optionee.

The maximum number of shares issuable under the plan at any given time is 10% of shares issued and outstanding. The number of shares reserved by the TSX for issuance upon the exercise of options was 1,465,483 as of December 28, 2019 (1,492,055 as of December 29, 2018).

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21.1 Outstanding stock options

Changes in the number of options outstanding were as follows:

	2019	2018
Number of options		
Outstanding at beginning of year	740,500	744,833
Granted	108,000	106,000
Exercised	(57,000)	(109,000)
Forfeited	—	(1,333)
Outstanding at end of year	791,500	740,500
Exercisable at end of year	612,833	490,503
Weighted average exercise price	\$	\$
Outstanding at beginning of year	30.75	27.46
Granted	31.59	34.46
Exercised	24.25	11.88
Forfeited	—	30.97
Outstanding at end of year	31.33	30.75
Exercisable at end of year	30.92	29.88
Weighted average market value of New Look Vision shares at exercise date	31.55	33.00

Options exercised in 2019 included 37,000 options for which the intrinsic value was settled by the issuance of 6,572 shares under the cashless exercise feature, as well as 20,000 options exercised for the same number of shares. Options exercised in 2018 included 87,500 options for which the intrinsic value was settled by the issuance of 54,812 shares under the cashless exercise feature, as well as 21,500 options exercised for the same number of shares.

The following table summarizes information about options outstanding and exercisable as at December 28, 2019:

Range of exercise price \$	Options outstanding			Options exercisable	
	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
29.69 to 30.04	147,500	1.96	29.93	147,500	29.93
30.97 to 31.00	485,000	3.48	30.97	430,000	30.97
32.21 to 34.98	159,000	5.89	33.71	35,333	34.46
29.69 to 34.98	791,500	3.68	31.33	612,833	30.92

The per-share average market value in 2019 was \$31.94 (\$33.20 in 2018) and the per-share market value at the end of 2019 was \$32.75 (\$ 29.60 at end of 2018).

The equity-based compensation expense of \$0.7 million recorded in 2019 (\$1.1 million in 2018) relates to the vesting of options accrued in the year.

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21.2 Stock options granted in 2019

The fair value of options granted is estimated using a Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018
Exercise price	\$31.59	\$34.46
Expected life (years)	5.6	5.6
Expected volatility	26%	27%
Risk-free interest rate	1.68%	2.17%
Expected annual dividends	\$0.60	\$0.60

The weighted average fair value of options granted in 2019 was estimated at \$6.55 per option (\$8.20 in 2018).

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time representing the expected life of the options granted.

22. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The following is summarized financial information of the Company's interest in joint ventures and associates for the years ended December 28, 2019 and December 29, 2018, which are measured using the equity method:

	2019		
	Joint ventures	Associates	Total
	\$	\$	\$
Carrying amount at December 28, 2019	18,960	2,019	20,979
Company's share of profit	2,359	274	2,633

	2018		
	Joint ventures	Associates	Total
	\$	\$	\$
Carrying amount at December 29, 2018	17,603	2,175	19,778
Company's share of profit	1,596	253	1,849

As at December 28, 2019, the Company had an interest in 36 (2018 - 38) joint ventures and 9 (2018 - 8) associates.

23. RELATED PARTY TRANSACTIONS

The Company's related parties include the directors, key management, joint ventures and associates. Key management is composed of the President and CEO, CFO and the vice-presidents of New Look Vision.

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23.1 Transactions with joint ventures and associates

The Company carried out the following transactions with joint ventures and associates:

	2019		
	Joint Ventures	Associates	Total
	\$	\$	\$
Revenues	2,365	451	2,816
Expenses	213	17	230
Total	2,578	468	3,046

	2018		
	Joint Ventures	Associates	Total
	\$	\$	\$
Revenues	2,294	427	2,721
Expenses	167	15	182
Total	2,461	442	2,903

These transactions were concluded in the normal course of business and were measured at the exchange amount.

24. REMUNERATION OF KEY MANAGEMENT AND DIRECTORS

Remuneration of key management and directors is summarized as follows:

	2019	2018
	\$	\$
Short-term remuneration, termination payments and related social security costs	5,626	5,459
Equity-based compensation	731	1,052
	6,357	6,511

25. COMMITMENTS

The Group has entered into long-term lease agreements expiring as late as 2031 which call for lease payments for the rental of buildings. Minimum lease payments required under such leases are as follows:

	\$
2020	20,507
2021	16,650
2022	13,383
2023	10,084
2024	6,925
Thereafter	12,086
	79,635

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The Group has other commitments in marketing, merchandise and equipment in the amount of \$6.2 million.

The Company has guaranteed the leases of its joint ventures in the amount of \$1.6 million between the years of 2020 to 2027.

Furthermore, the Company has contractual obligations to pay marketing royalties of 5% on the monthly net sales of Iris, depending on the store, to a not-for-profit company with common directors.

26. CONTINGENCIES

The Group is contingently liable with respect to claims and litigations that arise in the normal course of business. Management is of the opinion that any liability in excess of a provision already recorded in the accounts, which may arise from such claims, would not have a material adverse effect on the financial statements of the Company.

27. FINANCIAL INSTRUMENTS

The following table provides the carrying value of each category of financial assets and liabilities and the related balance sheet item:

	2019	2018
	\$	\$
Financial instruments at fair value through profit or loss		
Other investments ^(a)	8,866	—
Forward exchange contracts, included in receivables	55	—
Interest rate swap	(781)	(198)
Total	8,140	(198)
Financial assets at amortized cost		
Cash	5,982	10,559
Trade accounts receivable	8,065	6,809
Receivables from joint ventures	97	111
Receivables from associates	30	—
Loans and advances ^(b)	10,522	11,271
Total	24,696	28,750
Financial liabilities at amortized cost		
Customers' deposits	6,154	5,757
Trade and other payables	25,713	22,024
Loans and advances from related parties ^(b)	5,521	4,465
Dividends payable	435	273
Long-term debt including current portion ^(c)	149,928	158,575
Total	187,751	191,094

- The fair value of other investments is determined by discounting future cash flows using current rates. The fair value of other investments approximates their carrying amount.
- The fair value of the loans and advances is determined by discounting future cash flows using current rates. The fair value of the loans approximates their carrying amount.
- The fair value of long-term debt was determined as follows:

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For the years ended December 28, 2019 and December 29, 2018
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Debt	How estimated	Conclusion
Bankers' acceptances	Discounted value at the current rate	Fair value very close to carrying value as terms are very short
Prime rate basis loan	Face value	Fair value very close to carrying value as terms are very short
Subordinated debts to a development capital fund	Discounting future cash flows at the rate of 5.5% (5.5% in 2018), the actual nominal rates on the debt	Management believes that the rate of 5.5% (5.5% in 2018) reflects the market conditions for subordinated debts, with their respective characteristics
Balances of purchase price	Discounting future cash flows at the rate of 5%	Fair values essentially equivalent to the carrying values

28. FINANCIAL INSTRUMENT RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various risks in relation to financial instruments including: foreign exchange risk, interest rate risk, credit risk and liquidity risk. Management is responsible for setting acceptable levels of risks and reviewing management activities as necessary.

The Group does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

Management has established objectives and policies regarding the following risks.

Exchange risk

The Group is exposed to foreign currency fluctuations with regards to the following assets and liabilities, expressed in Canadian dollars:

	2019	2018
	\$	\$
Cash in US dollars	(335)	224
Accounts payable in US dollars	(109)	(337)
Other investments in US dollars ^(a)	8,866	—
Accounts payable in euros	(1)	(10)
Net assets (liabilities) in currencies	8,421	(123)
Unfavourable impact of 10% strengthening of the currencies on earnings before income taxes	489	(12)

a) The amount of \$3.5 million included in Other investments in US dollars above is hedged through a forward exchange contract.

Management has established a policy hedging forecasted purchases in US dollars through the use of forward exchange contracts. The percentage hedged is determined by prevailing market conditions.

The Group does not use hedge accounting. Accordingly, forward exchange contracts are recognized at their fair value on the balance sheet and changes in fair value are recognized in earnings.

Interest rate risk

As at December 28, 2019, 54% (53% as at December 29, 2018) of the long-term debt was composed of loans on the acquisition term facility described in Note 16. As these loans are currently in the form of prime rate basis loans and bankers' acceptances which are subject to variable interest, stamping and discount fees, the Company is exposed to cash flow risks resulting from fluctuations in these rates. In order to mitigate the risk of an increase in interest rates, New Look Vision is required to maintain an interest rate swap to fix the interest rate on 50% of the outstanding acquisition term facility balance. On August 1, 2018, the Company voluntarily increased the swap coverage to 80%. As at December 28, 2019, the interest rate swap, issued in two tranches, was fixed at a rate of 1.69% and 2.415% on a notional amount of \$60.80 million (\$68.40 million at December 29, 2018), or 80% of the acquisition term facility

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outstanding. The fair value of the swap agreement represented a liability of \$0.78 million as at December 28, 2019 (\$0.20 million at December 29, 2018). All other long-term debts have fixed interest rates and are therefore not exposed to cash flow interest rate risk.

A 100 basis point increase in interest rates would have resulted in an increase in interest payments of \$0.6 million in 2019 (\$0.6 million in 2018) and a decrease in net earnings and equity of \$0.3 million (\$0.4 million in 2018).

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Generally, the carrying amount reported on the Group's balance sheet for its financial assets exposed to credit risk represents the maximum amount exposed to credit risk.

Credit risk with respect to:

- Cash is substantially mitigated by ensuring that these financial assets are placed with major financial institutions that have been accorded investment grade ratings by a primary rating agency and qualify as credit worthy counterparties.
- Trade receivables is limited due to the general policy of requiring down payments on accepting orders and payment of the balance of sale price on delivery of goods. Amounts past due at the end of 2019 and 2018 were not significant.
- Loans to an entity related to a key management member are limited by guarantees on assets, and credit risk associated with professional loans is mitigated by the nature of the business relation with the debtor.

Management considers all of the above financial assets for each of the reporting dates under review of good credit quality.

Liquidity risk

The management of liquidity risk serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Group has financing sources such as its credit facilities for a sufficient authorized amount. The Group establishes budgets, cash estimates, and a cash management policy to ensure it has the necessary funds to fulfill its obligations for the foreseeable future.

The maturity analysis of financial liabilities, including estimated interest, is as follows:

	Long-term debt	Loans and advances	Accounts payable and accrued liabilities	Total
2020	18,026	5,521	31,867	55,414
2021	17,224			17,224
2022	51,257			51,257
2023	74,945			74,945
2024 and thereafter	15,217			15,217
	176,669	5,521	31,867	214,057

This analysis reflects the conditions prevailing at the end of 2019. Prior to the end of 2018, the Group was in negotiations to renew the subordinated debt of \$15.0 million. The maturity of debt was extended to February 2024.

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For the years ended December 28, 2019 and December 29, 2018
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29. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- a) To optimize the use of debt while maintaining a comfortable spread between the actual and required financial ratios in the credit facilities.
- b) To use the cash flows generated by the operations to pay interest, pay down the debt, to continue to make maintenance and growth capital expenditures, and maintain the current dividend pay-out to the shareholders.

The Group's capital is composed of shareholders' equity and net debt. Net debt is the total of the long-term debt, including the short-term portion, in excess of cash. The Group manages the capital structure by financing its growth using a combination of its credit facilities and cash flows from operations and issuances of treasury common shares.

30. EVENTS AFTER THE REPORTING PERIOD

30.1 Dividends

The Board of Directors has elected to suspend the regular quarterly dividend and the corresponding dividend reinvestment plan for Q4 2019.

30.2 Shares issued pursuant to the DRIP

On December 31, 2019, New Look Vision issued 14,066 Class A common shares at \$30.94 per share for a total of \$0.44 million pursuant to the dividend reinvestment plan. This issuance will be recognized in the first quarter of 2020.

30.3 Business acquisition

On March 5, 2020, the Group acquired substantially all of the assets of Miami based Coco Lunette Holding, LLC which carries on business principally under the Edward Beiner banner. This transaction marks the first time a Canadian based retail optical company acquires an eyewear retailer in the United States, further cementing New Look Vision's position as the leader in the eye care industry in Canada. The 12 acquired stores will continue to be operated under their previous tradename. At this time, the purchase price allocation has not been completed.

ANNUAL REPORT

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Vogue Optical 2nd PAIR
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IRIS



NEWLOOK
VISION GROUP INC.

ANNUAL REPORT

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New Look Vision Group Inc. Board of Directors

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Chairman of the Board
New Look Vision Group Inc.

Antoine Amiel

President and Chief Executive Officer
New Look Vision Group Inc.

Richard Cherney

Secretary
New Look Vision Group Inc.
Partner
Davies Ward Phillips & Vineberg

Denyse Chicoyne

Director
New Look Vision Group Inc.

M. William Cleman

Management Consultant
Cleman Consulting Inc.

Paul S. Echenberg

President and
Chief Executive Officer
Schroders and
Associates Canada Inc.

Pierre Matuszewski

Director
New Look Vision Group Inc.

C. Emmett Pearson

Director
New Look Vision Group Inc.

New Look Vision Group Inc. Executive Officers

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President and Chief Executive Officer
New Look Vision Group Inc.

Tania M. Clarke

Senior Vice-President
and Chief Financial Officer
New Look Vision Group Inc.

Jean-Michel Maltais

Senior Vice-President
Omnichannel
New Look Vision Group Inc.

Jason Schonfeld

Senior Vice-President
Business Development
New Look Vision Group Inc.



New Look Eyewear Executive Officer

Antoine Amiel

President
New Look Eyewear



Vogue Optical Group Inc. Executive Officers

John MacLeod

Chairman
Vogue Optical Group Inc.

Juanita Leary

President
Vogue Optical Group Inc.

Jamie Hearn

Executive Vice-President
Vogue Optical Group Inc.



IRIS The Visual Group Executive Officers

Dr. Sylvain Boucher

Optometrist
Co-Chairman
IRIS The Visual Group

Éric Babin

President
IRIS The Visual Group



Greiche & Scaff Executive Officer

Pierre Freiji

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As of February 29, 2020, New Look Vision had 15,660,199 Class A common shares outstanding, which are the only shares outstanding. New Look Vision Group Inc. is a leader in the eye care industry in Canada, having a network of 382 stores, mainly under the New Look Eyewear, Vogue Optical, Greiche & Scaff, and Iris banners, and laboratory facilities using state-of-the-art technologies.

