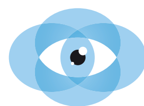
ANNUAL REPORT

Year ended December 29, 2018



NEWLOOK VISION GROUP INC.

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Annual General Meeting of Shareholders
May 10th, 2019 at 10 a.m. (Montréal time)
Club Mont-Royal, Princess Patricia Room
1175, Sherbrooke St. West
Montréal, Québec H3A 1H9

Chairman's Message

For the year ended December 29, 2018

BUILDING AND STRENGTHENING THE PLATFORM FOR FUTURE GROWTH

2018 was a year of building and strengthening the platform for the future growth and success of the New Look Vision Group which is now the largest retail optical enterprise operating across Canada with 373 locations in 9 provinces. The focus during the year was on the integration of recent acquisitions including Iris, building the systems and other corporate infrastructure and significantly adding to the senior management team and Board of Directors in key areas.

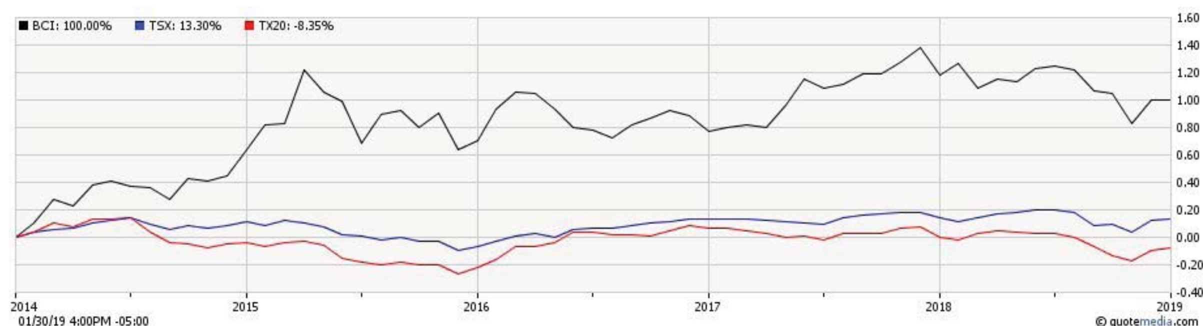
Highlights of 2018

Set out below are summary highlights of 2018. Further details are set out in the annual message of Antoine Amiel, President & CEO:

- Revenues for 2018 increased by 27.0% from last year to reach a record high of $291 million.
- Comparable store sales orders for the year were solid at 1.3% over last year.
- Adjusted EBITDA[(a)] reached a record high of $54.1 million, a 28.5% increase over last year, reflecting stronger operating performance from our core banners with the addition of Iris.
- The Company made investments totalling $9.5 million related to store openings and refurbishments, optical and laboratory equipment and information technology.
- Adjusted cash flows from operating activities[(a)] were strong at $52.3 million, an increase of $10.8 million over last year.
- Adjusted net earnings[(a)] attributable to shareholders for 2018 were $17.5 million ($1.12 per share fully diluted) as compared to $14.9 million last year ($1.05 per share fully diluted).
- The Company continued to invest in its information technology platforms to drive efficiencies and automation, a key to ongoing success in the retail optical industry.
- The strong financial and operating performance of the Company in 2018 allowed it to maintain its quarterly payments of dividends to shareholders of $0.15 per share.

Trading Performance

From January 2nd through December 28th, 2018 the Company's shares traded in the range of $26.01 to $37.19 per share and closed at $29.60. 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.



a) *EBITDA, adjusted EBITDA, adjusted net earnings, and* adjusted cash flows from operating activities *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, Net earnings and adjusted net earnings, and Operating activities in the Management's and Discussion and Analysis for more details.*

Human Resource Developments

Since January 2018, the Company has significantly added to its senior management team and Board of Directors in key areas.

- On February 12, 2018, Tania Clarke, CPA, CA and CPA (US), assumed the position of Senior Vice-President and Chief Financial Officer of the Company. Tania is an experienced senior financial executive with over 20 years of experience with both public and private companies in various industries principally in Canada.

Chairman's Message

- On May 10, 2018, Pierre Matuszewski, MBA, was elected to the Board of Directors. Pierre has had a long and distinguished career in the Canadian financial services industry, including 10 years as the CEO of the Canadian operations of a global European bank. He also has a long record of service in professional, industry and community organizations.
- On May 17, 2018, Stéphane Séguin, previously the Director of Financial Systems, was promoted to Vice-President of Information Technology. Stéphane has over twenty years of experience in systems implementation, business intelligence and business process reengineering.
- On September 24, 2018, Sébastien Dubois was appointed Vice-President of Real Estate and Construction. Sébastien is a CMA with over 20 years of experience in real estate development and construction on both the retail and landlord sides, management and accounting.
- On October 15, 2018, Michael Tovey was appointed Vice-President, Frame Product Development. Michael is a very experienced executive in this key sector of expertise in the retail optical space in Canada and internationally.
- 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 and public and private companies, across a wide spectrum of industries. Earlier in her career, she was a leading retail and merchandising analyst in the Canadian investment community spanning over a twenty-year period.
- 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.

Outlook

Our current priorities have not changed and continue to include the following objectives:

- Successfully integrate acquisitions and achieve operational synergies and economies of scale with newly acquired businesses;
- Increase market share by leveraging our state of the art manufacturing and distribution facilities, marketing, optometric facilities and to continually train personnel;
- Exploring profitable growth opportunities across Canada;
- 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 long and solid reputations in their respective markets;
- Expanding the New Look Eyewear, Greiche & Scaff, Vogue Optical, and Iris store networks in their respective target markets, through new store openings and the acquisition of individual optical stores;
- Improving the efficiency of our operations by significant investments in data analytics, retail, distribution, and manufacturing technology systems;
- Revitalizing our web-related platform for eye examination appointments, contact lens sales orders and greater information to the public through our website and newsletter on eyewear fashion trends;
- Improve liquidity and the balance sheet through a planned program of annual debt repayment.

Management Team and Board Members

Congratulations for the 2018 results are in order for Antoine Amiel and the senior management team at the New Look Vision Group Inc. level: Mario Pageau, Tania Clarke, France Reimnitz, Caroline Rouleau, Stéphane Séguin, Sébastien Dubois and Michael Tovey; and at the operating units, Mario Pageau and 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, Sylvain Boucher and Jason Schonfeld at Iris.

A special thanks to members of the Board of Directors for their continuing support, guidance and advice. 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 continue to unfold and implement its national strategy successfully in 2019 and beyond.

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 endeavour to be Canadians' destination of choice for eye care and eyewear. In 2018, we moved further along that ambitious road by integrating the Iris optometrists network acquired late 2017, positioning New Look Vision Group for the next growth opportunities.

Profitable growth

New Look Vision delivered another record year of revenue and income in 2018. The near term objectives, set mid 2017 when we announced the Iris acquisition, have been met. Iris and our previous acquisitions are integrated in New Look Vision. We are generating synergies group-wide. We are ahead of our debt repayment plan. New Look Vision is poised to resume its consolidation journey in the fragmented Canadian optical retail market.

Our success is rooted in our strong values of financial discipline, our unique culture of retail excellence and our decentralized operation model.

We believe our local teams know their patients and customers best. We empower our retail banners New Look, Iris, Vogue, Greiche & Scaff and our luxury stores to grow our brands, continuously improve operations and develop unique ways to give access to eye care and deliver eyewear.

A lean leadership team is focused on imagining our future. While we take comfort in the fact that 90% of the people over the age of 55 need vision correction, a demographic category growing twice as fast as the other age groups, we are mindful that consumers' habits and expectations are changing rapidly. We are embracing the opportunities uncovered by mining our extensive data, deploying digital platforms, robotics and harnessing artificial intelligence. We believe those initiatives will enable us to deliver an increasingly tailored experience which will power organic growth.

Our business model draws its strength from Canada's demographics, our local teams' expertise, our disciplined consolidation of the fragmented Canadian optical retail market, our synergy generating vertical integration and our vision for optical retail's future.

We aim at reducing frictions and cost. Increasing eye care accessibility and availability, assisting in choosing the proper eyewear, opening options for a multi-channel experience all contribute to tailoring our customers' journey thereby differentiating our retail brands. Increasing our range of in-house eyewear, manufacturing and assembling our own products in Canada, re-designing our stores and support facilities to enhance our people's well-being, automatizing our support services enable us to optimize costs.

Anchored in the belief that our optometrists' thorough eye examination, our opticians' precise measurements and our associates' informed product recommendations are conducive to creating the magic moment of recovering perfect vision upon wearing new corrective eyewear. Our culture is unique, powerful and evolving. Every acquisition enriches our talent pool and our expertise in pursuit of the same goal.

Strong results and financial base

In 2018 we delivered our 8th straight year of improved adjusted net earnings[a] and our 18th straight quarter of comparable store sales growth. Revenues have increased on a per diluted share basis by 15.8% to $18.64 as compared to $16.10 in 2017. Our adjusted EBITDA[a] increased to $54.1 million, up 28.5% over fiscal 2017. Our adjusted EBITDA[a] per diluted share reached $3.47, up 17.2% over fiscal 2017 and 118.8% over fiscal 2013 the year we launched our strategic growth plan. Our sustained profitability reflects our relentless focus on store operations, synergies and on-going cost reduction programs. The fourth quarter of 2018 saw growth in adjusted EBITDA[a] of 8.3% driven by both the inclusion of Iris for the full quarter and the other banners' strong performances.

After acquiring 159 stores in 2017, our net debt to Adjusted EBITDA[a] attributed to shareholders ratio is 2.76, down from 3.80 at the end of 2017. Our strong balance sheet, credit facilities and consistently improving results provide us with the flexibility to continue along the path of consolidating Canada's fragmented optical retail market.

Community

We are active members of the communities we operate in. We are involved with local, provincial and international charities. Our support comes in the form of donations, sponsorship and volunteer hours. Among others, we support and actively participate in the Eye Disease Foundation, the Children's Wish Foundation, Superwalk for Parkinsons, CNIB Dining in the Dark, and Ride For Sight. We have a long running partnership with the Lion's Club to use the frames we collect for the benefit of those in need, in Canada and overseas. In the professional field we support optician and optometrist schools.

Outside Canada, the Iris Mundial foundation undertakes yearly missions to bring eye care and eyewear to local communities in needs. The 2018 mission took place in Saint-Louis, Senegal where 40 optical professionals saw 2,000 patients over two weeks for ophthalmic surgery and optometric care. Each patient received a pair of corrective and a pair of protective (sunglass) eyewear. Iris Mundial missions are only the start in providing local vision care. A permanent clinic and dispensary are operated locally post mission.

In keeping with the ongoing effort to reduce the company's environmental footprint, our New Look Eyewear network became Ecoresponsible certified level 1 in 2018. We are working toward higher levels of certification. This latest program complement the initiatives of the past years in the areas of store lighting and water recycling in our manufacturing facilities.

Outlook

In 2019, New Look Vision Group will continue on the same path of profitable organic growth and disciplined consolidation of the Canadian optical retail sector.

Acknowledgments

I would like to thank our 4,000 strong family of optical professionals for giving, in 2018, 20,000 Canadians the opportunity to see their world. On behalf of all of us at New Look Vision, I would like to thank our shareholders for their trust and the Board of Directors for their guidance.

Antoine Amiel
President & Chief Executive Officer
New Look Vision Group Inc.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 29, 2018

NEWLOOK
VISION GROUP INC.

Management's Discussion and Analysis

For the periods ended December 29, 2018 and December 30, 2017
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 29, 2018 ("Q4 2018" and "fiscal 2018"). This MD&A should be read in conjunction with the Company's consolidated financial statements for the 52 weeks ended December 29, 2018 and the accompanying notes thereto. The consolidated results from operations for the 13 and 52 weeks ended December 29, 2018 are compared to the 13 and 52 weeks ended December 30, 2017. The year-end of the Company is the last Saturday of December. Iris, The Visual Group (Iris), with 147 stores, was acquired on October 24, 2017. The results of this acquisition are included in 10 weeks of the fourth quarter and year-end for fiscal 2017, and for the entire 2018 fiscal year.

This MD&A is dated March 18, 2019. The consolidated financial statements and this MD&A were reviewed by the Company's audit committee and were approved by the board of directors of the Company ("Board of Directors") on March 18, 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 29, 2018 and December 30, 2017.

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. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will be achieved. Forward-looking statements are subject to risks, uncertainties and assumptions. Although management of New Look Vision believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations 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 29, 2018.

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.

DESCRIPTION OF BUSINESS

New Look Vision Group 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 29, 2018.

	Quebec	British Columbia	Ontario	New Brunswick	Nova Scotia	Alberta	Newfoundland & Labrador	Prince Edward Island	Saskatchewan	Total
Number of stores	204	47	37	25	22	16	13	7	2	**373**

As at December 29, 2018, the Company's network of stores totaled 373, consisting of 278 wholly-owned corporate, 30 majority-owned, 45 jointly-owned and 20 franchised locations.

Management's Discussion and Analysis

For the periods ended December 29, 2018 and December 30, 2017
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

HIGHLIGHTS

Highlights for the fourth quarter of 2018 compared to the fourth quarter of 2017 and the year ended December 29, 2018 compared to the 2017 and 2016 fiscal years are as follows:

	2018 13 weeks	2017 13 weeks	2018 52 weeks	2017 52 weeks	2016 53 weeks
Revenues	**$71,140**	**$67,509**	**$291,032**	**$229,151**	**$198,536**
Variance %	*5.4%*		*27.0%*	*15.4 %*	
Variance in comparable store sales orders[(a)]	*0.8%*	*2.8%*	*1.3%*	*2.6 %*	
Adjusted EBITDA[(b)]	**$13,570**	**$12,532**	**$54,120**	**$42,121**	**$35,376**
Variance %	*8.3%*		*28.5%*	*19.1 %*	
% of revenues	*19.1%*	*18.6%*	*18.6%*	*18.4 %*	*17.8 %*
Per share (diluted)	$0.87	$0.82	$3.47	$2.96	$2.56
Variance %	*6.1%*		*17.2%*	*15.6 %*	
Adjusted EBITDA attributed to shareholders[(b)]	**$13,760**	**$12,491**	**$54,468**	**$41,980**	**$35,289**
Variance %	*10.2%*		*29.7%*	*19.0 %*	
% of revenues	*19.3%*	*18.5%*	*18.7%*	*18.3 %*	*17.8 %*
Per share (diluted)	$0.88	$0.82	$3.49	$2.95	$2.55
Variance %	*7.3%*		*18.3%*	*15.7 %*	
Net earnings attributed to shareholders	**$3,108**	**$2,759**	**$14,193**	**$10,060**	**$11,172**
Variance %	*12.6%*		*41.1%*	*(10.0)%*	
% of revenues	*4.4%*	*4.1%*	*4.9%*	*4.4 %*	*5.6 %*
Net earnings per share					
Per share (diluted)	$0.20	$0.18	$0.91	$0.71	$0.81
Variance %	*11.1%*		*28.2%*	*(12.3)%*	
Adjusted net earnings attributed to shareholders[(b)]	**$3,713**	**$3,489**	**$17,468**	**$14,983**	**$13,947**
Variance %	*6.4%*		*16.6%*	*7.4 %*	
% of revenues	*5.2%*	*5.2%*	*6.0%*	*6.5 %*	*7.0 %*
Per share (diluted)	$0.24	$0.23	$1.12	$1.05	$1.01
Variance %	*4.3%*		*6.7%*	*4.0 %*	
Free cash flow[(b)(c)]	**$5,842**	**$8,157**	**$25,992**	**$21,929**	**$13,796**
Variance %	*(28.4%)*		*18.5%*	*59.0 %*	
Per share (diluted)	$0.37	$0.54	$1.66	$1.54	$1.00
Variance %	*(31.5%)*		*7.8%*	*54.0 %*	
Adjusted cash flows from operating activities[(b)(d)]	**$13,327**	**$12,189**	**$52,254**	**$41,456**	**$35,007**
Variance %	*9.3%*		*26.0%*	*18.4 %*	
Per share (diluted)	$0.85	$0.80	$3.35	$2.91	$2.53
Variance %	*6.3%*		*15.1%*	*15.0 %*	
Total debt[(e)]			$160,737	$173,278	$88,416
Net debt[(e)(f)] / Adjusted EBITDA attributed to shareholders			2.76	3.80	2.32
Cash dividend per share[(g)]	$0.15	$0.15	$0.60	$0.60	$0.60
Number of stores[(h)]			**373**	**379**	**220**

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, adjusted EBITDA attributed to shareholders, adjusted net earnings attributed to shareholders, free cash flow and adjusted cash flows from operating activities 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, and operating activities 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. Free cash flow decreased in the quarter as a result of the timing of working capital items, higher capital investments, and higher income taxes paid.
d) Adjusted cash flows from operating activities are defined as cash flows related to operating activities before income taxes paid, changes in working capital items, acquisition-related costs, and other non-comparable costs.
e) Combined contractual and voluntary long-term debt repayments were $17.1 million in 2018.
f) Net debt is defined as total debt less cash.
g) The amounts of dividends shown in the table above refer to amounts declared in the periods.
h) The decrease in the number of stores in the last twelve months reflects one store opening and seven 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. Improved operating performance as well as the successful integration of recent significant 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 of 0.8% as well as in total revenues of 5.4% in the fourth quarter of 2018 in comparison to 2017. This marks the 18th consecutive quarter of comparable store sales growth. The total sales growth mainly reflects the addition of the Iris stores acquired during the fourth quarter of 2017, as well as improvement in the core businesses.

Adjusted EBITDA for the period increased by 1.0 million or 8.3% over the same period last year principally due to the addition of Iris and other acquisitions in the year, as well as improved performance from existing stores. As a percentage of revenues, in the fourth quarter, adjusted EBITDA increased 50 basis points to 19.1%. The improvement can be attributed to synergies being achieved with particular impact on the materials consumed and other operating expenses (excluding acquisition-related costs and other non-comparable costs) ratios.

Adjusted net earnings attributed to shareholders for the quarter increased by 6.4% to $3.7 million. This increase is primarily due to lower acquisition-related costs partially offset by higher net earnings attributed to shareholders.

The full year 2018 highlights are:

- New Look Vision remains focused on its profitable growth strategy in Canada as evidenced by solid operating results during 2018.
- Annual revenues increased by 27.0% to reach a record $291.0 million. This increase reflects the acquisition of Iris in the fourth quarter of 2017 and other acquisitions in 2017, and an increase in comparable store sales of 1.3%.
- Adjusted EBITDA increased 28.5% over the previous year to a record $54.1 million and increased 17.2% on a per diluted share basis to $3.47. Additionally, as a percentage of revenues, adjusted EBITDA improved 20 basis points to 18.6% for the year.
- Net earnings attributable to shareholders was $14.2 million, an increase of 41.1% over last year. Net earnings per diluted share increased by $0.20 to $0.91.
- Adjusted net earnings attributable to shareholders increased by 16.6% to $17.5 million or 6.7% on a per diluted share basis. The increase is mainly attributable to a higher adjusted EBITDA.
- Adjusted cash flows from operating activities increased by $10.8 million or 26.0% over last year.

- The Company incurred higher depreciation, financial expenses and non-comparable costs. This was offset by significantly lower acquisition-related costs of $1.4 million in the year compared to $3.6 million in 2017, mainly related to the acquisition of Iris in 2017.
- The Group maintained its quarterly dividend payment to shareholders of $0.15 per share.

OUTLOOK

Our current priorities and development plans include the following objectives:

- Successfully integrate acquisitions;
- Achieve operational synergies and economies of scale with newly acquired businesses;
- Improve liquidity and the balance sheet through a planned program of annual 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 across Canada;
- 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 long and solid reputations in their respective markets;
- Expanding the New Look Eyewear, Greiche & Scaff, Vogue Optical, and Iris store networks in their respective target markets, through new store openings and the acquisition of individual optical stores;
- Improving the efficiency of our operations by significant investments in data analytics, retail, distribution, and manufacturing technology systems;
- Revitalizing our 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.

In recent years, New Look Vision has experimented with certain hearing protection and listening products and services initiatives in its retail network. To-date these initiatives have not yet been commercially successful. However, two stores, one in Québec and one in New Brunswick, have developed working relationships with audiologists and New Look Vision intends to closely monitor this business segment in order to evaluate the benefits of further investing therein in 2019 and beyond.

RESULTS ANALYSIS

Revenues

Revenues for the fourth quarter of 2018 were $71.1 million, an increase of 5.4% over the fourth quarter of last year. The increase is attributable to the addition of Iris (acquired October 2017) and comparable stores sales growth.

The cumulative 52-week period ended December 29, 2018 also benefited from the same growth factors described above, which resulted in revenues reaching $291.0 million, up 27.0% to the corresponding period in 2017.

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 0.8% in the fourth quarter compared to the fourth quarter of last year, and 1.3% for the year ended December 29, 2018. Comparable stores are defined as stores which have been operating for at least 12 months.

Operating expenses

Operating expenses for the fourth quarters and 52-week periods ended December 29, 2018 and December 30, 2017 are summarized as follows:

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Revenues	71,140	67,509	291,032	229,151
Materials consumed	14,879	14,521	63,882	50,923
% of revenues	*20.9%*	*21.5%*	*22.0%*	*22.2%*
Employee remuneration				
Salaries and social security costs (excluding other non-comparable costs)	24,519	22,414	97,195	75,354
% of revenues	*34.5%*	*33.2%*	*33.4%*	*32.9%*
Equity-based compensation	217	134	1,052	1,244
Acquisition-related costs	68	781	1,398	3,647
Other non-comparable costs	489	—	1,277	305
Other operating expenses (excluding acquisition-related costs and other non-comparable costs)	18,598	18,371	77,642	61,281
% of revenues	*26.1%*	*27.2%*	*26.7%*	*26.7%*
Total operating expenses	**58,770**	**56,221**	**242,446**	**192,754**
% of revenues	*82.6%*	*83.3%*	*83.3%*	*84.1%*

Total operating expenses as a percentage of total revenues improved by 70 basis points in the fourth quarter and 80 basis points in the 52-week period.

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 decreased in both the quarter-to-date and year-to-date periods when compared to the same periods last year by 60 and by 20 basis points respectively. This reflects the benefit from purchasing and manufacturing synergies gained over the year.

Employee remuneration

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 as a percentage of revenues increased by 130 and 50 basis points in the quarter-to-date and year-to-date periods respectively. The increase reflects market pressures, particularly in Quebec and Ontario, where the tight labour market is causing wages to rise, as well as the impact of rising minimum wages in certain jurisdictions directly impacting store wages.

The increase in equity-based compensation in the fourth quarter of 2018 compared to the same period of 2017 is mainly due to the issuance of options in 2018. The decrease in the year-to-date period compared to last year is due to the fact that fewer options vested in 2018 compared to 2017.

Acquisition-related costs

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

Other non-comparable costs

Other non-comparable costs include one-time expenses connected with personnel transition costs and related matters. The increase in the quarter and on a year to date basis is principally due to the transfer of local support functions to Montreal. This centralization will yield cost savings and efficiency gains once completed.

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

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.

As a percentage of revenues, other operating expenses decreased by 110 basis points in the fourth quarter to 26.1% from 27.2% for the same period last year. This variation is primarily due to cost control programs in stores and at the corporate level. For the 52-week period ended December 29, 2018, other operating expenses remained stable as a result of the efficiencies described above, offset by newly acquired banners operating at higher cost ratios.

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:

	2018	2017	2018	2017
	13 weeks	13 weeks	52 weeks	52 weeks
	$	$	$	$
Net earnings	3,056	2,810	14,394	10,170
Depreciation, amortization and loss on disposal	4,557	4,736	19,978	14,610
Financial expenses, net of interest revenue	3,485	2,272	9,720	5,945
Income taxes	1,698	1,934	6,343	6,137
EBITDA	**12,796**	**11,752**	**50,435**	**36,862**
Equity-based compensation[(a)]	217	134	1,052	1,244
Net loss (gain) from changes in fair value of foreign exchange contracts	—	(135)	(42)	63
Acquisition-related costs[(b)]	68	781	1,398	3,647
Other non-comparable costs[(c)]	489	—	1,277	305
Adjusted EBITDA	**13,570**	**12,532**	**54,120**	**42,121**
Variance in $	*1,038*		*11,999*	
Variance in %	*8.3%*		*28.5%*	
% of revenues	*19.1%*	*18.6%*	*18.6%*	*18.4%*
Per share (basic)	0.87	0.83	3.49	3.01
Per share (diluted)	0.87	0.82	3.47	2.96

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

b) Acquisition-related costs are mainly comprised of legal and other fees related to the business acquisitions, whether completed or in-progress.

c) Other non-comparable costs include one-time expenses connected with personnel transition costs and related matters.

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

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Adjusted EBITDA	13,570	12,532	54,120	42,121
Income from investments in joint ventures and associates	(426)	(465)	(1,849)	(465)
EBITDA from investments in joint ventures and associates	760	675	3,425	675
EBITDA attributed to non-controlling interest	(144)	(251)	(1,228)	(351)
Adjusted EBITDA attributed to shareholders	**13,760**	**12,491**	**54,468**	**41,980**

The increase in adjusted EBITDA attributed to shareholders for the quarter of $1.3 million or 10.2% reflects improved operating expense ratios as described above. The increase in the year-to-date period of $12.5 million or 29.7% reflects higher revenues and an improvement in the materials consumed ratio.

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:

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Depreciation of property, plant and equipment, net of amortization of deferred investment tax credits	2,951	2,722	12,038	9,451
Amortization of other intangible assets	1,189	2,052	7,504	5,156
Impairment and loss on disposal of long-term assets	417	(38)	436	3
Depreciation, amortization and loss on disposal of assets	**4,557**	**4,736**	**19,978**	**14,610**

The decrease in amortization of intangible assets for the quarter-to-date period reflects the reclassification between amortizable and non-amortizable intangible assets as a result of the purchase price allocation adjustments which occurred in the third and fourth quarters of 2018. The increases in depreciation of property, plant and equipment and amortization of intangible assets for the year-to-date period are consistent with increased capital investments in stores, manufacturing and distribution facilities, computer equipment and software, and the acquisitions made in 2017, offset by the purchase price allocation adjustments. The impact of the purchase price allocation adjustments for the quarter and year-to-date periods is a decrease of $0.8 million and $1.5 million respectively.

Financial expenses

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

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Interest on long-term debt[(a)]	2,177	1,688	8,677	4,952
Amortization of deferred costs related to the issuance of debt	177	688	860	1,039
Change in fair value of interest rate swap	1,028	(94)	9	(153)
Other financing expenses	188	167	469	314
Financial expenses	3,570	2,449	10,015	6,152
Interest revenue	85	177	295	207
Financial expenses, net of interest revenue	**3,485**	**2,272**	**9,720**	**5,945**
a) Actual settlement cost of interest rate swap included in the interest on long-term debt above	39	13	164	214

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

Interest on long-term debt was significantly higher in the quarter and for the 52-week period compared to last year as a result of increased levels of debt for the financing of acquisitions.

As of December 29, 2018, the long-term debt essentially comprised an outstanding balance of $23.4 million under the revolving facility, a balance of $85.5 million under the acquisition term facility, and $50.0 million of subordinated loans.

In order to mitigate the risk of an increase in interest rates, New Look Vision was 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%.

Income taxes

The income tax expense is composed of:

	2018 52 weeks $	2017 52 weeks $
Current income tax		
In relation with the current activities	5,938	5,684
In relation with adjustments recognized in the period for current tax of prior periods	107	592
Total current income tax	6,045	6,276
Deferred income tax		
Origination and reversal of temporary differences	(266)	(54)
Utilization of unused tax losses and tax credits	564	(85)
Total deferred income tax	298	(139)
Total income tax expense	**6,343**	**6,137**
Estimated effective tax rate of earnings before income taxes	30.6%	37.6%
Combined federal and provincial statutory rate	28.2%	28.8%

The difference between the estimated effective tax rate and the combined federal and provincial statutory rate is attributable to non-deductible expenses, income from joint ventures and associates, which is net of taxes, adjustments for prior years, and changes in tax rates. Non-deductible expenses are mainly comprised of equity-based compensation and certain business-related costs.

Settlement with a provincial tax authority. In 2015, the Company reached an agreement with the Canada Revenue Agency regarding the use of tax attributes in relation to the conversion from a trust structure into a corporation in March 2010. In July 2018, a similar agreement was reached with a provincial tax authority. Payments of $0.7 million were made in the year to settle the provincial claim. A favorable adjustment of $0.1 million was recorded in the year to reflect a reduction in accrued interest related to this matter.

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 year-end. Payments made in the year in relation with these reassessments were recorded as receivables.

Net earnings and adjusted net earnings

Net earnings for the fourth quarter and year-to-date period ended December 29, 2018 can be compared to the corresponding periods of 2017 as follows:

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Net earnings attributed to shareholders	3,108	2,759	14,193	10,060
Variance in $	*349*		*4,133*	
Variance in %	*12.6%*		*41.1%*	
% of revenues	*4.4%*	*4.1%*	*4.9%*	*4.4%*
Per share amount				
Diluted	0.20	0.18	0.91	0.71
Weighted average number of common shares used in diluted earnings per share	15,600,450	15,193,998	15,617,480	14,236,838
Variation %	*2.7%*		*9.7%*	

Net earnings attributed to shareholders for the year ended December 29, 2018 increased compared to last year due to higher EBITDA, as described above, partially offset by higher depreciation, financial expenses and income taxes. Net earnings attributed to shareholders for the quarter ended December 29, 2018 increased compared to the same period last year due to higher EBITDA, lower depreciation and income taxes, offset by higher financial expenses.

Management believes that the following adjustments to net earnings provide useful information as they allow the comparison of the net results before acquisition-related costs, equity-based compensation, other non-comparable costs and related income taxes, which may vary substantially from quarter to quarter:

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Net earnings attributed to shareholders	3,108	2,759	14,193	10,060
Acquisition-related costs	68	781	1,398	3,647
Equity-based compensation	217	134	1,052	1,244
Other non-comparable costs	489	—	1,277	305
Related income taxes	(169)	(185)	(452)	(273)
Adjusted net earnings attributed to shareholders	**3,713**	**3,489**	**17,468**	**14,983**
Variance in $	*224*		*2,485*	
Variance in %	*6.4%*		*16.6%*	
% of revenues	*5.2%*	*5.2%*	*6.0%*	*6.5%*
Per share amount				
Basic	0.24	0.23	1.13	1.07
Diluted	0.24	0.23	1.12	1.05

Adjusted net earnings per diluted share increased by 4.3% to $0.24 in the fourth quarter and increased by 6.7% to $1.12 on a year-to-date basis. The driving factors for the increase in both the quarter-to-date and the year-to-date periods are higher net earnings attributed to shareholders and lower acquisition-related costs, partially offset by higher other non-comparable costs.

Adjusted net earnings calculated above 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.

For the periods ended December 29, 2018 and December 30, 2017
Amounts in tables are in thousands of Canadian dollars, except shares and per share amounts

SUMMARY OF QUARTERLY RESULTS

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

	4th Quarter		3rd Quarter		2nd Quarter		1st Quarter		4 Quarters	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Weeks	13	13	13	13	13	13	13	13	52	52
	$	$	$	$	$	$	$	$	$	$
Revenues	**71,140**	**67,509**	**72,871**	**55,210**	**77,244**	**55,389**	**69,777**	**51,043**	**291,032**	**229,151**
As a % of the four-quarter revenues	*24.4%*	*29.5%*	*25.0%*	*24.1%*	*26.5%*	*24.2%*	*24.0%*	*22.3%*	*100%*	*100%*
Adjusted EBITDA(b)	**13,570**	**12,532**	**13,898**	**10,804**	**15,307**	**10,914**	**11,345**	**7,871**	**54,120**	**42,121**
As a % of revenues	*19.1%*	*18.6%*	*19.1%*	*19.6%*	*19.8%*	*19.7%*	*16.3%*	*15.4%*	*18.6%*	*18.4%*
Per share (diluted)(a)	0.87	0.82	0.89	0.77	0.98	0.79	0.73	0.57	3.47	2.96
Net earnings attributed to shareholders	**3,108**	**2,759**	**4,855**	**3,392**	**4,003**	**2,625**	**2,227**	**1,284**	**14,193**	**10,060**
Per share (diluted)(a)	0.20	0.18	0.31	0.24	0.26	0.19	0.14	0.09	0.91	0.71
Adjusted net earnings attributed to shareholders(b)(c)	**3,713**	**3,489**	**5,312**	**4,433**	**5,452**	**4,544**	**2,991**	**2,517**	**17,468**	**14,983**
Per share (diluted)(a)	0.24	0.23	0.34	0.32	0.35	0.33	0.19	0.18	1.12	1.05
Free cash flow(b)	**5,842**	**8,157**	**8,452**	**8,703**	**6,979**	**3,788**	**4,719**	**1,281**	**25,992**	**21,929**
Per share (diluted)(a)	0.37	0.54	0.54	0.62	0.45	0.27	0.30	0.09	1.66	1.54
Adjusted cash flows from operating activities(b)(d)	**13,327**	**12,189**	**13,598**	**10,699**	**14,593**	**10,781**	**10,736**	**7,787**	**52,254**	**41,456**
Per share (diluted)(a)	0.85	0.80	0.87	0.77	0.93	0.78	0.69	0.56	3.35	2.91
Dividend per share	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.60	0.60

a) 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.

b) Adjusted EBITDA, adjusted net earnings, free cash flow, and adjusted cash flows from operating activities 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.

c) Adjusted net earnings attributed to shareholders were revised in the fourth quarter of 2018 and retrospectively to all quarters presented above, in order to remove the adjustment for depreciation, amortization and loss on disposal of assets, net of the related tax impact.

d) Adjusted cash flows from operating activities is defined as cash flows related to operating activities before income taxes paid, changes in working capital items, acquisition-related costs and other non-comparable costs.

The increases in revenues and adjusted EBITDA in each of the four quarters of 2018 compared to the same periods last year reflect the acquisitions completed in 2017, which include 158 stores across Quebec (86), British Columbia (36), Ontario (17), Alberta (16), New Brunswick (2) and Prince Edward Island (1), as well as the improving performance of comparable stores. There were no acquisitions in 2018.

LIQUIDITY

The following table summarizes the cash flows for the fourth quarters and 52-week periods ended December 29, 2018 and December 30, 2017, respectively. Amounts in parentheses represent use of cash.

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Operating activities	7,423	9,271	34,786	32,013
Investing activities	(1,558)	(118,255)	(11,312)	(141,199)
Financing activities	(1,459)	114,858	(26,562)	116,239
Net increase (decrease) in cash	**4,406**	**5,874**	**(3,088)**	**7,053**
Cash, beginning of period	6,153	7,773	13,647	6,594
Cash, end of period	**10,559**	**13,647**	**10,559**	**13,647**

Cash flows related to operating activities decreased in the fourth quarter of 2018, compared to that of 2017. This decrease is primarily driven by changes in working capital and higher income taxes paid. On a year-to-date basis, cash flows related to operating activities increased as a result of higher EBITDA, due to the addition of Iris, partially offset by changes in working capital and higher income taxes paid.

The use of cash for investing activities for both the fourth quarter and year-to-date periods decreased significantly when compared to the same periods in the prior year. For the quarter, the primary driver was lower acquisition activity, increased dividends received from investments, offset by higher capital investments. For the year-to-date, the primary driver was also lower acquisition activity, lower investments in capital and a higher dividend payout from investments.

The use of cash for financing activities decreased in the fourth quarter and on a year-to-date basis due to the Company increasing its long-term debt in the fourth quarter of the prior year to fund business acquisitions. The increased use of cash for financing activities compared to the prior year reflects the accelerated deleveraging by paying down revolving and acquisition term facilities. Additionally, the Company paid out more dividends in the quarter and on a year-to-date basis due to a higher number of outstanding shares compared to last year.

Overall, the quarter ended with a net increase in cash for the reasons described above. On a year-to-date basis, more cash was used than last year as the Company shifted its focus to deleveraging.

Operating activities

The cash flows related to the operating activities for the fourth quarters and years ended December 29, 2018 and December 30, 2017 are as follows. Amounts in parentheses represent use of cash.

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Earnings before income taxes	4,754	4,744	20,737	16,307
Adjustments:				
Depreciation, amortization and loss on disposal	4,557	4,736	19,978	14,610
Amortization of deferred lease inducements and variation of deferred rent	(46)	(57)	(180)	(200)
Equity-based compensation expense	217	134	1,052	1,244
Financial expenses	3,570	2,449	10,015	6,152
Interest revenue	(85)	(177)	(295)	(207)
Other	229	44	121	63
Income from investments in joint ventures and associates	(426)	(465)	(1,849)	(465)
Income taxes paid	(1,645)	(1,249)	(8,016)	(4,956)
Cash flows related to operating activities, before changes in working capital items	**11,125**	**10,159**	**41,563**	**32,548**
Changes in working capital items	(3,702)	(888)	(6,777)	(535)
Cash flows related to operating activities	**7,423**	**9,271**	**34,786**	**32,013**

As demonstrated above, cash flows related to operating activities decreased in the fourth quarter of 2018, compared to that of 2017. The decrease in the quarter is primarily driven by greater use of cash for working capital items and higher incomes taxes paid, which offset a higher EBITDA. On a year-to-date basis, cash flows related to operating activities increased as a result of higher EBITDA, greatly offsetting the increase in the use of cash for working capital items and higher income taxes paid.

Free cash flow

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Cash flows related to operating activities	7,423	9,271	34,786	32,013
Acquisitions of property, plant and equipment	(1,581)	(1,114)	(8,794)	(10,084)
Free cash flow	**5,842**	**8,157**	**25,992**	**21,929**

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.

Free cash flow decreased in the quarter by $2.3 million due to lower cash flows from operations, as described above, and an increase in acquisitions of property, plant and equipment. On a year-to-date basis, free cash flow increased by $4.1 million, indicating a favourable trend in cash flows from operations, after considering capital investments.

Adjusted cash flows from operating activities

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Cash flows related to operating activities	7,423	9,271	34,786	32,013
Income taxes paid	1,645	1,249	8,016	4,956
Changes in working capital items	3,702	888	6,777	535
Acquisition-related costs	68	781	1,398	3,647
Other non-comparable costs	489	—	1,277	305
Adjusted cash flows from operating activities	**13,327**	**12,189**	**52,254**	**41,456**

Adjusted cash flows from 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 acquisition-related costs and other non-comparable costs, which may vary significantly from quarter to quarter. Investors should be cautioned that adjusted cash flows from operating activities should not be considered as an alternative to cash flows related to operating activities as determined under IFRS.

The above table indicates an increase in the fourth quarter of 2018 and the 52-week period 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 costs, which vary significantly from quarter to quarter. For the quarter, adjusted cash flows from operating activities have increased by 9.3% or $1.1 million, and on a year-to-date basis they have increased by 26.0% or $10.8 million.

Changes in working capital items

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

	2018 13 weeks $	2017 13 weeks $	2018 52 weeks $	2017 52 weeks $
Receivables	(2,335)	(341)	(1,553)	659
Inventory	353	858	(474)	(1,836)
Prepaid expenses	(940)	(54)	(1,977)	(378)
Accounts payable, accrued liabilities and provisions	(780)	(1,351)	(2,773)	1,020
Decrease in cash	**(3,702)**	**(888)**	**(6,777)**	**(535)**

The variance in the generation (or use) of cash from accounts receivable in the fourth quarter and year-to-date periods represent normal fluctuations in the course of business.

The lower generation of cash by inventory in the fourth quarter of 2018 compared to the same period last year is due to higher inventory purchases. The reduction in the use of cash by inventory on a year-to-date basis was due to tighter inventory management.

The decrease in the generation of cash by prepaid expenses in the fourth quarter and year-to-date periods compared to the same periods last year was due to the timing of payments of monthly occupancy costs for the Company's network of stores.

The use of cash in the quarter and year-to-date periods from accounts payable, accrued liabilities and provisions was due to a significant decrease in trade payables compared to the prior year, as a result of the timing of purchases and payments to suppliers in the normal course of business.

Contractual obligations

The contractual obligations of the Group as of December 29, 2018 are summarized in the following table:

		Payments due					
Contractual obligations	Total	2019	2020	2021	2022	2023	Thereafter
Long-term debt[(a)]	191,218	18,762	17,926	16,772	121,208	862	15,688
Operating leases	88,253	21,650	17,997	14,370	11,075	8,157	15,004
Purchase obligations[(b)]	409	409	—	—	—	—	—
Other obligations[(c)]	41,883	41,883	—	—	—	—	—
Total	321,763	82,704	35,923	31,142	132,283	9,019	30,692

a) Amounts shown as payments due on the long-term debt reflect the repayment of debt including interest as of December 29, 2018. The repayment of the outstanding revolving facility was included in 2022 as no capital repayments are required until this time. The maturity of the $15.0 million subordinated debt was extended on February 19 2019 to February 2024.

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

On September 30, 2018, the credit facility was renegotiated yielding more favourable terms. The maturity of the facility extended to October 24, 2022, the cost of borrowing was reduced and the annual additional repayment under a "cash flow sweep" covenant was removed.

As at December 29, 2018, the key terms were as follows:

- A revolving facility with a maximum draw-down of $50.0 million (actual draw-downs of $23.4 million at December 29, 2018 and $24.3 million at the end of 2017) 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, 2022 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 29, 2018, the balance of the debt was $85.5 million ($95.0 million as at December 30, 2017) and any balance is repayable on October 24, 2022.

The subordinated debts, as at December 29, 2018 were as follows:

- A subordinated debt of $35.0 million ($35.0 million at the end of 2017), as negotiated to finance the acquisition of Iris and 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 2017) to finance day-to-day operations and for investment purposes, including to finance capital expenditures and acquisitions, maturing in February 2019. The applicable interest rate thereon is 6.75%. On February 19, 2019, the Group reached a new agreement extending the repayment of the debt to February 19, 2024 at a rate of 5.5%.

As of December 29, 2018, the credit facilities and subordinated debt used and available were as follows:

	$
Revolving facility	
Credit granted	50,000
Credit outstanding at December 29, 2018	23,350
Balance available at December 29, 2018	26,650
Acquisition term facility	
Credit granted	95,000
Credit outstanding at December 29, 2018	85,500
Total subordinated debts	
Credit granted	50,000
Credit outstanding at December 29, 2018	50,000

The Company also had $10.6 million in cash at the end of the period. The Company was in compliance with all covenants governing the credit facilities.

OUTSTANDING SHARES AND OPTIONS

As of February 28, 2019, New Look Vision had 15,578,304 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 28, 2019:

- 76,332 shares issued pursuant to the exercise of 114,000 stock options, at an average price of $12.71 per share:
  - 54,832 shares issued pursuant to the exercise of 92,500 stock options under the cashless exercise feature;
  - 21,500 shares issued pursuant to the exercise of the same number of options for a total of $0.23 million;
- 26,944 shares issued pursuant to the dividend reinvestment plan.

As of February 28, 2019, there were 735,500 options outstanding to purchase the same number of New Look Vision Class A common shares for a weighted average exercise price of $30.74. 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 28, 2019, the balances of shares reserved by the TSX for issuance upon exercise of options or payment for services totaled 1,492,035 .

DIVIDENDS

Dividends declared

In line with a long-standing practice, New Look Vision declared a dividend of $0.15 per Class A common shares in each of the quarters of 2018 and 2017. 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.

On March 18, 2019, New Look Vision declared a dividend of $0.15 per Class A common share payable on March 29, 2019 to shareholders of record on March 27, 2019. The dividend has been designated as an eligible dividend.

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.

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 2018 were as follows:

Date of Issuance	Number of shares issued	Issuance price per share	Total
		$	$
March 29, 2018	6,615	$33.13	$219
June 29, 2018	4,961	$31.68	$157
September 28, 2018	5,830	$32.36	$189
Total amount	**17,406**	**$32.46**	**$565**

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, 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.

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:

	2018	2017
	$	$
Financial liabilities at fair value through profit and loss		
Forward exchange contracts, included in payables	—	(42)
Interest rate swap	(198)	(189)
Total	**(198)**	**(231)**
Loans and receivables		
Cash	10,559	13,647
Trade accounts receivable	6,809	5,564
Receivables from joint ventures	111	77
Receivables from associates	—	38
Loans and advances	11,271	10,844
Total loans and receivables	**28,750**	**30,170**
Financial liabilities at amortized cost		
Customers' deposits	5,757	5,731
Trade and other payables	22,024	24,870
Loans and advances from related parties	4,465	3,887
Dividends payable	273	—
Long-term debt including current portion	158,575	169,204
Total financial liabilities	**191,094**	**203,692**

Details of financial instrument risk management objectives and policies are described under Note 27 to the consolidated financial statements for 2018. Other comments follow:

Exchange risk related to assets and liabilities denominated in foreign currencies is limited as the amounts involved are short-term accounts payable and relatively small amounts of cash in US dollars. 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 $85.5 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 3% 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 29, 2018.

IFRS 9 Financial instruments ("IFRS 9")

IFRS 9 represents the completion of replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. The standard will be applied to the Group's financial statements as of fiscal 2019. Financial assets classified as loans and receivables will be reclassified in the category at amortized cost. The classification of financial assets will be determined by both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured based on different business models such as "hold to collect", "hold to collect and sell" or other models. Management expects that the new "expected credit loss" model will not have a significant impact on the financial statements.

IFRS 15, Revenue from contracts with customers ("IFRS 15")

IFRS 15 presents new requirements for the recognition of revenues, replacing IAS 18, *Revenue,* IAS 11, *Construction Contracts,* and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The standard will be applied to the Group's financial statements as of fiscal 2019. At this time, management does not foresee a significant impact on the Company's consolidated financial statements as a result of implementing this standard.

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 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". The Group is still in the process of identifying all agreements which meet the definition of a lease under IFRS 16. The Standard is expected to have a material impact on the Company's Consolidated Balance Sheets, with the addition of lease liabilities and right-of-use assets, and on the Consolidated Statements of Income, with a shift in the timing of expense recognition. 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. The Company is currently assessing the expected impact of this change on the accounting for its portfolio of leases as well as the impact on its current leasing and accounting software.

Classification and measurement of share-based payment transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments apply for annual periods beginning on or after January 1, 2018 and can be applied prospectively. Management expects that the new standard will not have a significant impact on the financial statements.

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 29, 2018, 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 29, 2018, 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 29, 2018 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 30, 2018 and ended December 29, 2018 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 18, 2019

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 29, 2018

NEWLOOK
VISION GROUP INC.

Management's Responsibility for Financial Statements

For the years ended December 29, 2018 and December 30, 2017

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 18th, 2019

Raymond Chabot Grant Thornton

Raymond Chabot
Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec
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T 514-878-2691

Independent Auditor's Report

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 29, 2018 and December 30, 2017, 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 29, 2018 and December 30, 2017, 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 the 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 the 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 Chabot Grant Thornton LLP[1]

Montréal
March 18, 2019

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[1] CPA auditor, CA public accountancy permit no. A120795

Consolidated Statements of Earnings and Comprehensive Income

For the years ended December 29, 2018 and December 30, 2017
In thousands of Canadian dollars, except per share amounts

	2018 52 weeks $	2017 52 weeks $
Revenues	**291,032**	**229,151**
Materials consumed	63,882	50,923
Employee remuneration expenses (Note 3)	99,058	76,728
Other operating expenses (Note 3)	79,506	65,103
Earnings before depreciation, amortization, loss on disposal, financial expenses, and income from investments in joint ventures and associates	**48,586**	**36,397**
Depreciation, amortization and loss on disposal (Note 3)	19,978	14,610
Financial expenses, net of interest revenue (Note 4)	9,720	5,945
Earnings before income from investments in joint ventures and associates and income taxes	**18,888**	**15,842**
Income from investments in joint ventures and associates (Note 21)	1,849	465
Earnings before income taxes	**20,737**	**16,307**
Income taxes (Note 17)		
Current	6,045	6,276
Deferred	298	(139)
Total income taxes	6,343	6,137
Net earnings and comprehensive income	**14,394**	**10,170**
Net earnings and comprehensive income attributed to:		
Non-controlling interest	201	110
Shareholders of New Look Vision	14,193	10,060
	14,394	**10,170**
Net earnings per share (Note 5)		
Basic	0.91	0.72
Diluted	0.91	0.71

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

Consolidated Statements of Cash Flows

For the years ended December 29, 2018 and December 30, 2017
In thousands of Canadian dollars

	2018 52 weeks $	2017 52 weeks $
OPERATING ACTIVITIES		
Earnings before income taxes	20,737	16,307
Adjustments:		
Depreciation, amortization and loss on disposal (Note 3)	19,978	14,610
Amortization of deferred lease inducements and variation of deferred rent	(180)	(200)
Equity-based compensation expense (Note 3)	1,052	1,244
Financial expenses (Note 4)	10,015	6,152
Interest revenue (Note 4)	(295)	(207)
Other	121	63
Income from investments in joint ventures and associates (Note 21)	(1,849)	(465)
Income taxes paid	(8,016)	(4,956)
Cash flows related to operating activities before changes in working capital items	**41,563**	**32,548**
Changes in working capital items (Note 6)	(6,777)	(535)
Cash flows related to operating activities	**34,786**	**32,013**
INVESTING ACTIVITIES		
Business acquisitions (Note 7)	(1,268)	(132,288)
Cash acquired upon business acquisition	—	3,382
Acquisitions of property, plant and equipment	(8,794)	(10,084)
Acquisitions of other intangible assets	(743)	(1,125)
Net variation of loans and advances	(489)	(417)
Interest received	270	141
Sale of property, plant and equipment	74	41
Payment of balances of purchase price	(1,664)	(942)
Dividends received from investments in joint ventures and associates	1,302	93
Cash flows related to investing activities	**(11,312)**	**(141,199)**
FINANCING ACTIVITIES		
Repayments under the revolving facility	(7,550)	—
Borrowings under the revolving facility	6,600	12,487
Long-term borrowings	—	75,250
Repayment of borrowings on the acquisition term facility	(9,500)	(5,250)
Dividends paid, net of dividends reinvested	(9,210)	(7,492)
Interest and finance fees paid	(8,321)	(8,351)
Net variation of loans and advances from related parties	1,148	543
Lease inducements	45	54
Net proceeds from a private placement	—	48,747
Cash received on exercise of options	226	—
Reimbursement of loans to purchase shares	—	251
Cash flows related to financing activities	**(26,562)**	**116,239**
Net (decrease) increase in cash	(3,088)	7,053
Cash, beginning of period	13,647	6,594
Cash, end of period	**10,559**	**13,647**

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

Consolidated Balance Sheets

In thousands of Canadian dollars

	December 29, 2018 $	December 30, 2017 $
ASSETS		
Current assets		
Cash	10,559	13,647
Receivables (Note 8)	9,469	7,857
Income taxes receivable	1,895	1,313
Loans and advances (Note 9)	7,353	7,587
Inventory	30,079	29,442
Prepaid expenses	3,717	1,911
Total current assets	**63,072**	**61,757**
Loans and advances (Note 9)	3,918	3,257
Deferred tax assets (Note 17.2)	1,275	1,613
Property, plant and equipment (Note 10)	51,748	55,444
Investments in joint ventures and associates (Note 21)	21,302	15,633
Goodwill (Note 11)	109,952	114,575
Other intangible assets (Note 12)	124,747	132,481
Total assets	**376,014**	**384,760**
LIABILITIES		
Current liabilities		
Accounts payable, accrued liabilities and provisions (Note 13)	38,570	40,825
Provision for investments	1,524	1,609
Loans and advances from related parties (Note 14)	4,465	3,887
Income taxes payable	723	1,913
Dividends payable	273	—
Instalments on long-term debt (Note 15)	24,996	9,043
Total current liabilities	**70,551**	**57,277**
Long-term debt (Note 15)	133,579	160,161
Other non-current liabilities (Note 16)	1,838	2,069
Deferred tax liabilities (Note 17.2)	24,386	24,625
Total liabilities	**230,354**	**244,132**
EQUITY		
Class A common shares	116,077	115,132
Contributed surplus	4,402	3,504
Retained earnings	10,512	5,642
Equity attributable to the shareholders of New Look Vision	**130,991**	**124,278**
Non-controlling interest	14,669	16,350
Total equity	**145,660**	**140,628**
Total liabilities and equity	**376,014**	**384,760**

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 29, 2018 and December 30, 2017
In thousands of Canadian dollars, except for the number of shares

	Class A common shares		Contributed surplus	Retained earnings	Equity attributable to Shareholders of New Look Vision	Equity attributable to 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**

	Class A common shares		Contributed surplus	Retained earnings	Equity attributable to Shareholders of New Look Vision	Equity attributable to Non-controlling interest	Total equity
	Number	$	$	$	**$**	$	**$**
Balance as at December 31, 2016	13,579,077	64,098	2,836	4,054	**70,988**	743	**71,731**
Net earnings				10,060	**10,060**	110	**10,170**
Equity-based compensation			1,244		**1,244**		**1,244**
Shares issued by New Look Vision:							
Private placement:							
Gross proceeds	1,616,000	49,999			**49,999**		**49,999**
Issuance fees		(1,252)			**(1,252)**		**(1,252)**
Net proceeds from a private placement		48,747			**48,747**		**48,747**
Reduction in taxes related to the issuance fees		270			**270**		**270**
Pursuant to the exercise of options:							
Under the cashless exercise feature	239,589	576	(576)		**—**		**—**
Pursuant to the dividend reinvestment plan	39,959	1,177			**1,177**		**1,177**
Reimbursement of loans to purchase shares		251			**251**		**251**
In payment of services	403	13			**13**		**13**
Non-controlling interest in a business acquisition (Note 7.1)					**—**	15,696	**15,696**
Dividends declared				(8,472)	**(8,472)**	(199)	**(8,671)**
Balance as at December 30, 2017	**15,475,028**	**115,132**	**3,504**	**5,642**	**124,278**	**16,350**	**140,628**

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

Notes to the Consolidated Financial Statements

For the years ended December 29, 2018 and December 30, 2017
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 29, 2018 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 29, 2018. They were approved and authorized for issue by the board of directors on March 18, 2019.

2.2 Measurement basis

The consolidated financial statements have been prepared using the historical cost basis except for derivative financial instruments, 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 2018 and 2017 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.

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

Sales of goods are the only significant source of revenue. Revenue represents cash received or receivable from the customer, net of sales taxes, rebates and discounts. Revenue is recognized when goods are delivered to the customers.

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-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[g]
At fair value through profit and loss	Interest rate swaps[a]	2
	Foreign exchange contracts[b]	2
At amortized cost	Cash	
	Trade accounts receivable[c]	
	Receivables from joint ventures and associates[c]	
	Loans and advances[d]	2
	Trade and other payables[e]	
	Loans and advances from related party	
	Customers' deposits[e]	
	Long-term debt[f]	2

a) 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.

b) 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.

c) 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.

d) 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.

e) 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.

f) 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.

g) 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.

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.

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 11 and 12 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 13.

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 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 excess 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 Estimate 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. 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 13 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 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.

IFRS 9, *Financial instruments*

IFRS 9 represents the completion of replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. The standard will be applied to the Group's financial statements as of fiscal 2019. Financial assets classified as loans and receivables will be reclassified in the category at amortized cost. The classification of financial assets will be determined by both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured based on different business models such as "hold to collect", "hold to collect and sell" or other models. Management expects that the new "expected credit loss" model will not have a significant impact on the financial statements.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 presents new requirements for the recognition of revenues, replacing IAS 18, *Revenue,* IAS 11, *Construction Contracts,* and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The standard will be applied to the Group's financial statements as of fiscal 2019. At this time, management does not foresee a significant impact on the Company's consolidated financial statements as a result of implementing this standard.

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 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". The Group is still in the process of identifying all agreements which meet the definition of a lease under IFRS 16. The standard is expected to have a material impact on the Company’s Consolidated Balance Sheets, with the addition of lease liabilities and right-of-use assets, and on the Consolidated Statements of Earnings and Comprehensive Income, with a shift in the timing of expense recognition. 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. The Company is currently assessing the expected impact of this change on the accounting for its portfolio of leases as well as the impact on its current leasing and accounting software.

As a general indicator of the quantitative impact, the Group currently shows as commitments for leases an amount of $88.3 million.

3. UNDERLYING COMPONENTS IN CONSOLIDATED EARNINGS

	2018 52 weeks $	2017 52 weeks $
3.1 Employee remuneration expenses		
Salaries and social security costs	98,006	75,484
Equity-based compensation	1,052	1,244
	99,058	**76,728**
3.2 Amounts included in other operating expenses		
Write-down of inventories	634	195
Acquisition-related costs	1,398	3,647
3.3 Depreciation, amortization and loss on disposal of assets		
Depreciation of property, plant and equipment, net of amortization of deferred investment tax credits	12,038	9,451
Amortization of other intangible assets	7,504	5,156
Impairment and loss on disposal of long-term assets	436	3
	19,978	**14,610**

4. FINANCIAL EXPENSES, NET OF INTEREST REVENUE

	2018 52 weeks $	2017 52 weeks $
Interest on long-term debt	8,677	4,952
Amortization of deferred costs related to the issuance of debt	860	1,039
Change in fair value of interest rate swap	9	(153)
Other financing expenses	469	314
Financial expenses	10,015	6,152
Interest revenue	295	207
Financial expenses, net of interest revenue	9,720	5,945

5. NET EARNINGS PER SHARE

	2018 52 weeks	2017 52 weeks
Net earnings attributed to shareholders of New Look Vision	$14,193	$10,060
Weighted average number of common shares used in basic earnings per share	15,523,770	13,977,218
Dilutive effect of stock options	93,710	259,620
Weighted average number of common shares used in diluted earnings per share	15,617,480	14,236,838
Net earnings per share		
Basic	$0.91	$0.72
Diluted	$0.91	$0.71
Out-of-the-money options to purchase New Look Vision shares for the period[(a)]	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:

	2018 52 weeks $	2017 52 weeks $
Receivables	(1,553)	659
Inventory	(474)	(1,836)
Prepaid expenses	(1,977)	(378)
Accounts payable, accrued liabilities and provisions	(2,773)	1,020
Decrease in cash	(6,777)	(535)

7. BUSINESS ACQUISITIONS

7.1 Acquisition of Iris The Visual Group in 2017

On October 24, 2017, New Look Vision acquired 100% of the voting shares of Iris The Visual Group (Iris), with a network of 147 locations. The business will continue to be operated under the Iris name, as a division of New Look Vision. The acquisition was made to enhance the Company's position in the retail optical industry across Canada. The purchase price allocation at December 30, 2017 has been revised in 2018:

	Revised December 29, 2018	December 30, 2017
	$	$
Recognized amounts of identifiable net assets		
Current assets	25,473	25,625
Current liabilities	(24,752)	(24,487)
Property, plant and equipment	7,679	7,782
Intangible assets	80,628	81,470
Investments in joint ventures and associates	20,786	15,261
Other non-current assets	5,200	5,033
Non-current liabilities	(17,942)	(17,996)
Identifiable net assets	**97,072**	**92,688**
Goodwill[(a)]	**38,114**	**42,652**
Total net assets acquired	**135,186**	**135,340**
Initial purchase price	120,000	120,000
Price adjustment	659	(355)
Non-controlling interest[(b)]	14,527	15,696
Net consideration paid in cash[(c)]	**120,659**	**119,645**

During the measurement period, the Company revised amounts recognized on October 24, 2017 to reflect new information obtained about facts that existed on October 24, 2017.

The purchase price for the shares of Iris was $120 million on a cash-free and debt-free basis, subject to customary price adjustments.

a) Goodwill is attributed to the workforce, the practice of optometrists within the premises of the stores, know-how and the expected synergies from combining activities of the business acquired. The associated goodwill is not amortizable for tax purposes.

b) The value of non-controlling interest was established at fair value, which was determined by an income approach.

c) On December 29, 2018, $3 million remained in an escrow account, which can only be distributed by the escrow agent upon joint and written notice from New Look Vision and the agent representing the former shareholders of Iris.

7.2 Other Acquisitions in 2017

In addition, the Group also acquired 11 other retail optical stores in 2017. The acquisitions were made to enhance the Group's position in the optical business in Canada. The combined purchase price allocation at December 30, 2017 was revised in 2018:

	Revised December 29, 2018	December 30, 2017
	$	$
Recognized amounts of identifiable net assets		
Net working capital	1,480	1,508
Property, plant and equipment	2,805	2,739
Intangible assets	4,135	4,094
Deferred tax liabilities	(455)	(433)
Identifiable net assets	**7,965**	**7,908**
Goodwill[(a)]	**3,654**	**3,739**
Total net assets acquired	**11,619**	**11,647**
Amount paid in cash[(b)]	11,619	11,392
Balances payable	—	255
Total consideration	**11,619**	**11,647**

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 $2.9 million of goodwill will be amortizable for tax purposes.

b) Approximately $0.5 million was paid into a third party escrow account, which can only be accessed jointly by New Look Vision and the seller. As at December 29, 2018, no funds remained in escrow.

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

8. RECEIVABLES

	2018	2017
	$	$
Trade and other receivables	6,809	5,564
Sales taxes	2,549	2,178
Receivable from joint ventures	111	77
Receivable from associates	—	38
	9,469	7,857

9. LOANS AND ADVANCES

	2018 $	2017 $
Loans to an entity related to a key management member, 5% interest, repayable from July 31, 2019 to June 8, 2021[(a)]	1,180	828
Loan to a holder of a non-controlling interest, bearing interest at prime rate plus 1%, (4.2% as at December 30, 2017) without repayment terms	—	30
Advances to joint ventures and associates, bearing interest between 3% to 5% and with no specific terms of repayment	4,505	1,633
Advances to joint ventures and associates, bearing 4.11% to 5% interest, repayable over the next 5 years	2,471	2,325
Advances to joint ventures and associates without interest and with no specific terms of repayment	1,552	4,525
Advance to shareholders, bearing 2% interest, repayable over the next 5 years	159	175
Various professional loans, bearing 4% to 5% interest, repayable over the next 5 years	172	151
Various professional loans, without interest, repayable over the next 5 years	1,232	1,177
	11,271	10,844
Amounts due within one year	7,353	7,587
	3,918	3,257

a) The loans are guaranteed by New Look Vision shares having an approximate value of $2.1 million.

10. 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 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)
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**

	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 31, 2016	1,462	3,968	37,361	3,813	10,911	42,429	27	99,971
Reclassification	—	—	(226)	(31)	(144)	(40)	—	(441)
Acquisitions through business combinations	240	754	4,568	461	2,306	2,192	—	10,521
Other acquisitions	—	18	3,283	277	2,101	4,300	440	10,419
Disposals	—	—	(153)	(8)	(37)	(298)	—	(496)
Balance as at December 30, 2017	1,702	4,740	44,833	4,512	15,137	48,583	467	119,974
Accumulated depreciation								
Balance as at December 31, 2016	—	704	20,355	2,591	2,874	28,886	—	55,410
Reclassification	—	—	(6)	(1)	10	(12)	—	(9)
Depreciation	—	205	3,977	616	1,194	3,508	—	9,500
Disposals	—	—	(108)	(7)	(16)	(240)	—	(371)
Balance as at December 30, 2017	—	909	24,218	3,199	4,062	32,142	—	64,530
Net carrying amount as at December 30, 2017	**1,702**	**3,831**	**20,615**	**1,313**	**11,075**	**16,441**	**467**	**55,444**
Leased assets included in net carrying amount	—	—	—	—	—	103	—	**103**

11. GOODWILL

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

	2018	2017
	$	$
Balance as at December 30, 2017	114,575	67,478
Acquired though business acquisitions	—	46,391
Adjustments to previous year business acquisitions	(4,623)	706
Balance as at December 29, 2018	109,952	114,575

Impairment tests of goodwill

Goodwill was tested for impairment on December 29, 2018 and December 30, 2017. 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:

	2018	2017
	$	$
New Look Eyewear	11,902	11,902
Vogue Optical	47,165	47,250
Greiche & Scaff	6,352	6,352
Iris	38,318	42,856
Others	6,215	6,215
Balance, end of year	109,952	114,575

The recoverable amounts of these banners were estimated based on the present value of the future cash flows expected to be derived from these banners (value in use), using a pre-tax discount rate of 10.1% at December 29, 2018 (9.2% at December 30, 2017) and a terminal value growth rate of 2% from 2022. The recoverable amounts were estimated to be higher than the carrying amounts and no impairment was required.

12. OTHER INTANGIBLE ASSETS

	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**

	Tradenames	Leases[(a)]	Application software	Customer relationships	Contractual agreements[(b)]	Total
	$	$	$	$	$	$
Gross carrying amount						
Balance as at December 31, 2016	20,842	537	3,858	30,214	6,323	61,774
Reclassification	—	—	(46)	(4)	—	(50)
Acquisitions through business combinations	15,852	—	299	49,457	19,956	85,564
Other acquisitions	—	—	852	273	—	1,125
Disposals	—	—	—	(372)	—	(372)
Balance as at December 30, 2017	36,694	537	4,963	79,568	26,279	148,041
Accumulated amortization						
Balance as at December 31, 2016	321	462	2,373	4,500	3,120	10,776
Amortization	203	52	576	2,524	1,801	5,156
Disposals	—	—	—	(372)	—	(372)
Balance as at December 30, 2017	524	514	2,949	6,652	4,921	15,560
Net carrying amount as at December 30, 2017	**36,170**	**23**	**2,014**	**72,916**	**21,358**	**132,481**

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 29, 2018 and December 30, 2017. The tests indicated that an impairment charge was not necessary.

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

	2018	2017
	$	$
New Look Eyewear	2,500	2,500
Vogue Optical	9,700	9,700
Greiche & Scaff	6,300	6,300
Iris	31,615	13,440
Others	2,330	2,530
	52,445	34,470

13. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

	2018	2017
	$	$
Trade and other payables	22,024	24,870
Salaries and accrued benefits	9,637	9,099
Customers' deposits	5,757	5,731
Provisions	1,152	1,125
	38,570	40,825

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

The above provisions for 2018 reconcile as follows:

	Product warranties	Lease Termination	Onerous contracts	Total
Carrying amount as at December 30, 2017	1,071	44	10	1,125
Additional provision (reversal)	4,300	—	(10)	4,290
Amount utilized	(4,219)	(44)	—	(4,263)
Carrying amount as at December 29, 2018	1,152	—	—	1,152

14. LOANS AND ADVANCES FROM RELATED PARTIES

	2018	2017
	$	$
Advances from joint ventures and associates, bearing 5% interest with no specific terms of repayment	4,455	1,594
Advances from joint ventures and professionals, without interest with no specific terms of repayment	10	2,293
	4,465	3,887

15. LONG-TERM DEBT

15.1 Outstanding long-term debt

	2018	2017
	$	$
Revolving facility, effective rates between 5.19% and 5.95% (4.944% and 5.45% as of December 30, 2017)[a]	23,350	24,300
Acquisition term facility, repayable upon maturity in October 2022[b], effective rates between 5.19% and 5.95% (4.944% and 5.45% as of December 30, 2017)[a]	85,500	95,000
Subordinated debt to a development capital fund, repayable upon maturity in February 2019 [c], nominal rate of 6.75% (6.75% as of December 30, 2017)[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 30, 2017)[a]	35,000	35,000
Balances of purchase price, interest varying from 0% to 5%, with repayments up to 2022	1,753	3,454
Other	134	524
Total debt	160,737	173,278
Deferred costs related to the issuance of debt[a]	(2,162)	(4,074)
	158,575	169,204
Instalments due within one year	24,996	9,043
	133,579	**160,161**

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. Further details regarding the credit facilities are outlined in Note 15.2.

b) On September 30, 2018, the maturity was extended to October 24, 2022.

c) On February 19, 2019, the subordinated debt was renewed, maturity was extended to February 2024 and the interest rate was lowered to 5.5%.

15.2 Credit facilities

The main elements of the credit facilities are the following:

- A revolving facility, with a maximum draw-down of $50 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 million, which financed business acquisitions, reimbursement of previous debt balances, and general corporate activities.

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 both mature on October 24, 2022.
- Interest rates range as follows:
    - Prime rate basis loans: prime, plus a margin varying from 0.5% to 2.5%.
    - Stamping fees on bankers' acceptances: 1.5% to 3.5%.
    - Standby charges applied to the unused balance of the revolving facility: 0.338% to 0.788%.
- Repayments on the acquisition term facility represent $2.4 million per quarter until the full repayment of the balance at maturity.
- As a result of renegotiating the credit facilities as of September 30, 2018, New Look Vision removed the cash flow sweep covenant, whereby it previously may have been required to repay additional amounts before the maturity of its revolver and acquisition term facilities.

- New Look Vision must respect certain financial covenants. These covenants were met as at and for the years ended, December 29, 2018 and December 30, 2017.

15.3 Reconciliation of liabilities arising from financing activities

	Long-term borrowings	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**

16. OTHER NON-CURRENT LIABILITIES

	2018	2017
	$	$
Interest rate swap	198	189
Deferred lease inducements	659	752
Provision for straight-line rent	483	556
Deferred investment tax credits	498	572
	1,838	**2,069**

17. INCOME TAXES

17.1 Income tax expense

The income tax expense comprises:

	2018 52 weeks $	2017 52 weeks $
Current tax expense:		
In relation with the current activities	5,938	5,684
In relation with adjustments recognized in the period for current tax of prior periods	107	592
Total current tax expense	6,045	6,276
Deferred tax expense:		
Origination and reversal of temporary differences	(266)	(54)
Utilization of unused tax losses and tax credits	564	(85)
Total deferred tax expense	298	(139)
Total income taxes	6,343	6,137

The principal items which resulted in differences between the Group's effective income tax rate (30.6% in 2018 and 37.6% in 2017) and the combined statutory rate are detailed as follows:

	2018 52 weeks $	2017 52 weeks $
Earnings before income taxes	20,737	16,307
Current statutory income tax rate	28.2%	28.8%
Income tax expense at statutory rate	5,860	4,689
Increase (decrease) in taxes resulting from:		
Income from investments in joint ventures and associates	(486)	—
Permanent differences	637	1,193
Changes in tax rates	137	(112)
Adjustments for prior years	280	460
Other	(85)	(93)
Income tax expense	6,343	6,137

17.2 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 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.

Deferred taxes for the comparative period are summarized as follows:

	Balance as at Dec 31, 2016	Business acquisitions	Recognized in earnings	Reduction of share issuance costs	Balance as at Dec 30, 2017
	$	$	$	$	$
Unused tax losses, tax credits and deferred expenses	228	5,562	86	216	6,092
Temporary differences[(a)]:					
Property, plant and equipment	(3,332)	(212)	(228)	—	(3,772)
Other assets	(4,817)	(20,557)	987	—	(24,387)
Cumulative amortization of goodwill[(b)]	(1,861)	—	(605)	—	(2,466)
Provisions	413	312	89	—	814
Liabilities	545	350	(188)	—	707
	(8,824)	(14,545)	141	216	(23,012)

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.

18. DIVIDENDS

18.1 Dividends declared

New Look Vision declared dividends of $0.15 per Class A common share in each of the four quarters of 2018 and 2017.

Dividends shown as paid in the statements of cash flows are net of dividends payable and dividends reinvested in New Look Vision Class A common shares pursuant to the dividend reinvestment plan. The dividends reinvested in 2018 totaled $0.6 million ($1.2 million in 2017). Amounts of dividends declared in a period differ from the amounts paid in that period due to timing differences.

18.2 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 18,111 as at December 29, 2018.

See Statement of Changes in Equity for shares issued under the DRIP in 2018 and 2017.

19. SHARE CAPITAL

19.1 Authorized share capital as at December 29, 2018 and December 30, 2017

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.

19.2 Outstanding share capital as at December 29, 2018 and December 30, 2017

The only shares outstanding as at December 29, 2018 and December 30, 2017 are the Class A common shares, the continuities of which are presented in the consolidated statements of changes in equity.

20. 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 29, 2018, 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 1,492,055 as of December 29, 2018 (993,109 as of December 30, 2017).

20.1 Outstanding stock options

Changes in the number of options outstanding were as follows:

	2018	2017
Number of options		
Outstanding at beginning of year	744,833	1,230,225
Granted	106,000	—
Exercised	(109,000)	(375,392)
Expired and vested	—	(45,000)
Forfeited	(1,333)	(65,000)
Outstanding at end of year	740,500	744,833
Exercisable at end of year	490,503	418,834
Weighted average exercise price	**$**	**$**
Outstanding at beginning of year	27.46	23.28
Granted	34.46	—
Exercised	11.88	12.32
Expired and vested	—	34.43
Forfeited	30.97	30.97
Outstanding at end of year	30.75	27.46
Exercisable at end of year	29.88	24.79
Weighted average market value of New Look Vision shares at exercise date	**33.00**	**33.81**

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. Options exercised in 2017 included 375,392 options for which the intrinsic value was settled by the issuance of 239,589 shares under the cashless exercise feature.

The following table summarizes information about options outstanding and exercisable as at December 29, 2018:

	Options outstanding			Options exercisable	
Range of exercise price $	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
20.58 to 29.69	97,500	0.92	26.42	97,500	26.42
30.04 to 30.97	537,000	4.34	30.80	393,003	30.73
34.26 to 34.98	106,000	6.35	34.46	—	—
20.58 to 34.98	**740,500**	**4.18**	**30.75**	**490,503**	**29.88**

The per-share average market value in 2018 was $33.20 ($31.82 in 2017) and the per-share market value at the end of 2018 was $29.60 ($35.20 at end of 2017).

The equity-based compensation expense of $1.1 million recorded in 2018 ($1.2 million in 2017) relates to the vesting of options accrued in the period.

20.2 Stock options granted in 2018

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

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

The weighted average fair value of options granted in 2018 was estimated at $8.20 per option. There were no options granted in 2017.

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.

21. 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 29, 2018 and December 30, 2017, which are measured using the equity method:

	2018		
	Joint ventures	Associates	Total
	$	$	$
Carrying amount at December 29, 2018[(a)]	19,127	2,175	21,302
Company's share of profit	1,596	253	1,849

	2017		
	Joint ventures	Associates	Total
	$	$	$
Carrying amount at December 30, 2017[(a)]	14,017	1,616	15,633
Company's share of profit	419	46	465

a) The carrying amount of investments in joint ventures and associates has been revised as part of the purchase price allocation, refer to Note 7.1.

As at December 29, 2018 , the Company had 38 (37 in 2017) joint ventures and 8 (9 in 2017) associates.

22. 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.

22.1 Transactions with joint ventures and associates

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

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

	2017		
	Joint Ventures	Associates	Total
	$	$	$
Revenues	397	44	441
Expenses	24	2	26
Total	421	46	467

Following the acquisition of Iris on October 24, 2017, the Group became party to additional related party relationships, resulting in the above-noted transactions. These transactions were concluded in the normal course of business and were measured at the exchange amount.

23. REMUNERATION OF KEY MANAGEMENT AND DIRECTORS

Remuneration of key management and directors is summarized as follows:

	2018	2017
	52 weeks	52 weeks
	$	$
Short-term remuneration, termination payments and related social security costs	5,459	3,109
Equity-based compensation	1,052	1,244
	6,511	4,353

24. 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:

	$
2019	21,650
2020	17,997
2021	14,370
2022	11,075
2023	8,157
Thereafter	15,004
	88,253

The Group also entered into agreements to purchase equipment in the amount of $0.4 million.

In addition, the Company has guaranteed the leases of its joint ventures in the amount of $1.2 million between the years of 2019 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.

25. 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.

26. FINANCIAL INSTRUMENTS

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

	2018	2017
	$	$
Financial liabilities at fair value through profit and loss		
Forward exchange contracts, included in payables	—	(42)
Interest rate swap	(198)	(189)
Total	**(198)**	**(231)**
Loans and receivables		
Cash	10,559	13,647
Trade accounts receivable	6,809	5,564
Receivables from joint ventures	111	77
Receivables from associates	—	38
Loans and advances[(a)]	11,271	10,844
Total loans and receivables	**28,750**	**30,170**
Financial liabilities at amortized cost		
Customers' deposits	5,757	5,731
Trade and other payables	22,024	24,870
Loans and advances from related parties[(a)]	4,465	3,887
Dividends payable	273	—
Long-term debt including current portion[(b)]	158,575	169,204
Total financial liabilities	**191,094**	**203,692**

a) 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.

b) The fair value of long-term debt was determined as follows:

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% (6.75% and 5.5% in 2017), the actual nominal rates on the debt	Management believes that the rate of 5.5% (6.75% and 5.5% in 2017) 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

27. 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:

	2018	2017
	$	$
Cash in US dollars	224	414
Accounts payable in US dollars	(337)	(519)
Accounts payable in euros	(10)	(9)
Net liabilities in currencies	(123)	(114)
Unfavourable impact of 10% strengthening of the currencies on earnings before income taxes	(12)	(11)

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 29, 2018, 53% (55% as at December 30, 2017) of the long-term debt was composed of loans on the acquisition term facility described in Note 15. 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 29, 2018, the interest rate swap, issued in two tranches, was fixed at a rate of 1.69% and 2.415% on a notional amount of $68.40 million ($46.31 million at December 30, 2017), or 80% of the acquisition term facility outstanding. The fair value of the swap agreement represented a liability of $0.20 million as at December 29, 2018 ($0.19 million at December 30, 2017). 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 2018 ($1.0 million in 2017) and a decrease in net earnings and equity of $0.4 million ($0.71 million in 2017).

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 associated with 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.

Credit risk with respect to 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 2018 and 2017 were not significant.

Credit risk with respect to loans to officers or related entities 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

Liquidity risk management 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
2019	18,762	4,465	37,418	60,645
2020	17,926			17,926
2021	16,772			16,772
2022	121,208			121,208
2023 and thereafter	16,550			16,550
	191,218	4,465	37,418	233,101

This analysis reflects the conditions prevailing at the end of 2018. Prior to the end of 2018, the Group was in negotiations to renew the subordinated debt of $15 million. The maturity of debt was extended to February 2024.

28. 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.

29. EVENTS AFTER THE REPORTING PERIOD

29.1 Dividends

On March 18, 2019, the Board of Directors declared a dividend of $0.15 per Class A common shares to shareholders of record on March 27, 2019. The dividend is payable on March 29, 2019 and no liability was recognized in this respect in the financial statements for the fourth quarter of 2018.

29.2 Shares issued pursuant to the DRIP

On December 31, 2018, New Look Vision issued 9,538 Class A common shares at $28.63 per share for a total of $0.3 million pursuant to the dividend reinvestment plan. This issuance will be recognized in the first quarter of 2019.

29.3 Extension of subordinated debt

On February 19th 2019, the Group renewed its $15 million subordinated debt, which extended the maturity to February 19, 2024.

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New Look Vision Group Inc. Board of Directors

W. John Bennett
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

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.

Jean-Michel Maltais
Senior Vice-President
Omnichannel
New Look Vision Group Inc.

Mario Pageau
Senior Vice-President
Opticians Network
New Look Vision Group Inc.

New Look Eyewear Executive Officer

Mario Pageau
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
President
Greiche & Scaff

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As of February 28, 2019 New Look Vision had 15,578,304 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 373 stores, mainly under the New Look Eyewear, Vogue Optical, Greiche & Scaff and Iris banners, and laboratory facilities using state-of-the-art technologies.