Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

New Look Vision Group Inc. ("New Look Vision")
1 Place Ville-Marie, Suite 3438
Montréal, Québec H3B 3N6

1.2 Executive Officer

The following executive officer of New Look Vision is knowledgeable about the significant acquisition and this business acquisition report:

Antoine Amiel
President
514-904-5665, ext.4228

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

New Look Vision acquired all of the issued and outstanding shares of Iris, Le Groupe Visuel (1990) inc. ("Iris"), based in Laval, Québec (the "Acquisition"). The business acquired consists in a network of 147 retail optical stores located throughout Québec (82), British Columbia (34), Alberta (16), Ontario (14), and New Brunswick (1). The business will continue to be operated under the Iris name and its head office will be kept in Laval.

2.2 Acquisition Date

October 24, 2017.

2.3 Consideration

The consideration for the Acquisition was $120 million paid in cash, subject to customary post-closing price adjustments.

The Acquisition was financed through a net increase to existing credit facilities of $38 million with a bank syndicate, a loan from a development capital fund for $35 million, and the issuance of 1,616,000 Class A common shares of New Look Vision for a total consideration of $50 million.

2.4 Effect on Financial Position

It is expected that the consolidated revenues of New Look Vision will exceed $265 million per year, with a store network of 379 locations. This makes New Look Vision the largest Canadian integrated retail optical company and the eighth largest in North America.

The financing put in place to complete the Acquisition had an impact on the debt ratios which are within the limits required by the lenders. Management of New Look Vision expects to maintain the payment of the quarterly dividend.

The new subsidiary is managed by the seller's former managers. Both New Look Vision and Iris will benefit from each other in retaining the best business practices at all levels: management, professional services, human resources, marketing, information technology and lens manufacturing. Benefits are also expected from a greater purchasing power.

2.5 Prior Valuations

None

2.6 Parties to Transaction

No informed persons, associates, or affiliates of New Look Vision were parties to the Acquisition.

2.7 Date of Report

November 10, 2017

Item 3 Financial Statements and Other Information

The following financial statements included in Schedule A hereto form part of this business acquisition report:

- Unaudited pro forma consolidated financial statements of New Look Vision, consisting of:
    - Statement of earnings for the financial year ended December 31, 2016;
    - Statement of earnings for the 26-week period ended July 1, 2017;
    - Balance sheet as at July 1, 2017;

  together with the notes thereto.

- Audited consolidated financial statements of Iris for the year ended December 31, 2016, with unaudited comparative figures for the year ended December 31, 2015, together with the notes thereto and the independent auditor's report for the year ended December 31, 2016.

- Unaudited condensed interim consolidated financial statements of Iris for the 6-month periods ended June 30, 2017 and June 30, 2016, together with the notes thereto.

Forward looking statements

All statements other than statements of historical fact contained in this business acquisition report 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 business acquisition report 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 required by law.

SCHEDULE A
Financial Statements
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NEW LOOK VISION GROUP INC
Pro Forma Consolidated Statement of Earnings

Year ended December 31, 2016

(Unaudited - In thousands of Canadian dollars, except per share amounts)

	New Look Vision	Iris - Note 3(a)	Pro Forma Adjustments	Notes	Pro Forma Earnings
	(53 weeks)	(12 months)			(53 weeks)
	$	$	$		$
Revenues	198,536	47,281			245,817
Materials consumed	44,888	12,631			57,519
Employee remuneration expenses	66,732	17,761	(416)	3 (b)	84,077
Other operating expenses	54,586	17,467	(2,367)	3 (c)	69,686
Earnings (loss) before depreciation, amortization, loss on disposal, financial expenses and income from investments measured using the equity method	32,330	(578)	2,783		34,535
Depreciation, amortization and loss on disposal	11,772	4,186	(109)	3 (d)	15,849
Financial expenses, net of interest revenue	4,005	1,978	2,226	3 (e)	8,209
Income from investments measured using the equity method[1]		(1,190)			(1,190)
Earnings (loss) before income taxes	16,553	(5,552)	666		11,667
Income taxes					
Current	4,416	(45)	162	3 (f)	4,533
Deferred	925	(1,458)			(533)
Total income taxes	5,341	(1,503)	162		4,000
Net earnings (loss) and comprehensive income	11,212	(4,049)	504		7,667
Net earnings (loss) and comprehensive income attributed to:					
Non-controlling interest	40	269			309
Shareholders[2]	11,172	(4,318)	504		7,358
	11,212	(4,049)	504		7,667
Net earnings per share - Note 3(g)					
Basic	0.83				0.49
Diluted	0.81				0.48

1) Although management has preliminarily assessed a fair value increment over the carrying value of equity accounted investments, the depreciable portion has yet to be determined and therefore, no such pro forma adjustment has been recorded.

2) Due to the preliminary nature of the pro forma adjustments, management has not yet determined the proportion of net earnings allocated to non-controlling interest.

NEW LOOK VISION GROUP INC

Pro Forma Consolidated Statement of Earnings

26-Week Period ended July 1, 2017

(Unaudited - In thousands of Canadian dollars, except per share amounts)

	New Look Vision	Iris - Note 3(a)	Pro Forma Adjustments	Notes	Pro Forma Earnings
	(26 weeks)	(6 months)			(26 weeks)
	$	$	$		$
Revenues	106,432	30,624			137,056
Materials consumed	23,800	8,077			31,877
Employee remuneration expenses	36,433	10,801	(390)	3 (b)	46,844
Other operating expenses	30,780	9,118	(2,915)	3 (c)	36,983
Earnings before depreciation, amortization, loss on disposal, financial expenses and income from investments measured using the equity method	15,419	2,628	3,305		21,352
Depreciation, amortization and loss on disposal	6,413	1,292	747	3 (d)	8,452
Financial expenses, net of interest revenue	2,288	744	1,713	3 (e)	4,745
Income from investments measured using the equity method[1]		(702)			(702)
Earnings before income taxes	6,718	1,294	845		8,857
Income taxes					
Current	3,226	9	462	3 (f)	3,697
Deferred	(464)	96			(368)
Total income taxes	2,762	105	462		3,329
Net earnings and comprehensive income	3,956	1,189	383		5,528
Net earnings and comprehensive income attributed to:					
Non-controlling interest	47	330			377
Shareholders[2]	3,909	859	383		5,151
	3,956	1,189	383		5,528
Net earnings per share - Note 3(g)					
Basic	0.29				0.34
Diluted	0.28				0.33

1) Although management has preliminarily assessed a fair value increment over the carrying value of equity accounted investments, the depreciable portion has yet to be determined and therefore, no such pro forma adjustment has been recorded.

2) Due to the preliminary nature of the pro forma adjustments, management has not yet determined the proportion of net earnings allocated to non-controlling interest.

NEW LOOK VISION GROUP INC

Pro Forma Consolidated Balance Sheet

As at July 1, 2017

(Unaudited - In thousands of Canadian dollars)

	New Look Vision	Iris' Carrying Value of Net Assets Acquired - Note 4(a)	Pro Forma Adjustments	Notes	Pro Forma Balance Sheet
	$	$	$		$
ASSETS					
Current assets					
Cash	4,891	4,536	(962)	4 (c) - 5	8,465
Receivables	2,945	6,146			9,091
Income taxes receivable		1,975			1,975
Loans and advances	324	7,844			8,168
Inventory	21,837	8,609			30,446
Prepaid expenses	2,291	422	257	4 (c) - 4	2,970
Total current assets	32,288	29,532	(705)		61,115
Equity accounted investments		5,536	16,144	4 (b)	21,680
Deferred tax assets		1,945			1,945
Loans and advances	611	2,898			3,509
Property, plant and equipment	47,933	7,433			55,366
Goodwill	70,479	13,256	26,221	4 (b)	109,956
Other intangible assets	52,047	14,063	61,837	4 (b)	127,947
Total assets	203,358	74,663	103,497		381,518
LIABILITIES					
Current liabilities					
Accounts payable, accrued liabilities and provisions	25,292	16,253			41,545
Advances from related parties		3,657			3,657
Income taxes payable	938				938
Instalments on long-term debt	5,789	2,261	3,500	4 (c) - 1	11,550
Total current liabilities	32,019	22,171	3,500		57,690
Long-term debt	88,042	2,982	33,833	4 (c) - 1	
			33,600	4 (c) - 2	158,457
Other non-current liabilities	1,814				1,814
Deferred tax liabilities	8,413	992	17,933	4 (b)	
			(242)	4 (c) - 3	27,096
Total liabilities	130,288	26,145	88,624		245,057
EQUITY					
Class A common shares	64,751	11,867	(11,867)	4 (b)	
			49,211	4 (c) - 3	113,962
Contributed surplus	3,685				3,685
Retained earnings	3,884	33,714	(33,714)	4 (b)	3,884
			(962)	4 (c) - 5	(962)
Equity attributable to shareholders of New Look Vision	72,320	45,581	2,668		120,569
Non-controlling interest	750	2,937	12,205	4 (b)	15,892
Total equity	73,070	48,518	14,873		136,461
Total liabilities and equity	203,358	74,663	103,497		381,518

1. Iris, Le Groupe Visuel (1990) inc. Acquisition

On October 24, 2017, New Look Vision Group Inc. ("New Look Vision") acquired all of the issued and outstanding shares of Iris, Le Groupe Visuel (1990) inc. ("Iris"). Based in Laval, Québec, Iris has a network of 147 locations mainly located in the provinces of Québec, British Columbia, Alberta and Ontario. The business will continue to be operated under the name Iris.

The consideration was $120 million, paid in cash at closing, subject to customary post-closing price adjustments.

The acquisition was financed through an increase to existing credit facilities with a bank syndicate, a loan from a development capital fund, and the issuance of Class A common shares.

2. Basis of Presentation

These unaudited pro forma consolidated financial statements have been prepared for inclusion in the business acquisition report concerning the acquisition of Iris' shares. They give effect to this acquisition as if it had occurred as at July 1, 2017 for the purpose of the pro forma consolidated balance sheet and as at December 27, 2015 for the purposes of the pro forma consolidated statements of earnings for the year ended December 31, 2016 and the 26-week period ended July 1, 2017.

In the opinion of management, these pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the acquisition in accordance with International Financial Reporting Standards ("IFRS") on a basis consistent with New Look Vision's accounting policies applied in the audited consolidated financial statements for the year ended December 31, 2016.

These pro forma consolidated financial statements have been prepared using the information from the financial statements listed below and the adjustments outlined in notes 3 and 4:

- The audited consolidated financial statements of New Look Vision for the year ended December 31, 2016;
- The audited consolidated financial statements of Iris for the year ended December 31, 2016;
- The unaudited condensed interim consolidated financial statements of Iris for the 6-month period ended June 30, 2017; and
- The unaudited condensed interim consolidated financial statements of New Look Vision for the 26-week period ended July 1, 2017.

Iris' financial statements mentioned above were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"). A reconciliation to IFRS (see Note 3.a) has been performed to present Iris' financial statements in accordance with the accounting standards used by New Look Vision. We have also performed a preliminary review of the accounting policies of Iris and have not identified any material differences to date with those of New Look Vision.

These consolidated pro forma financial statements are prepared for illustrative purposes only. They do not take into account the full year impact of Iris store acquisitions or store closures, Iris restructuring initiatives during the reporting periods and synergies or cost savings which may arise from the acquisition.

3. Pro Forma Adjustments to the Consolidated Statements of Earnings

a) IFRS reconciliation for the year ended December 31, 2016

	Iris - Historical ASPE	IFRS Reconciliation Adjustments	Iris - IFRS
	$	$	$
Revenues	47,281		47,281 [1]
Materials consumed	12,631		12,631
Employee remuneration expense	17,761		17,761 [2]
Other operating expenses	17,467		17,467 [2]
Earnings (loss) before depreciation, amortization, loss on disposal, financial expenses and income from investments measured using the equity method	(578)		(578)
Depreciation, amortization and loss on diposal	4,186		4,186
Financial expenses, net of interest revenue	1,978		1,978 [3]
Income from investments measured using the equity method	(1,330)	140	(1,190)
Earnings (loss) before income taxes	(5,412)	(140)	(5,552)
Income taxes			
Current	(331)	286	(45)
Deferred		(1,458)	(1,458)
Total income taxes	(331)	(1,172)	(1,503)
Net earnings (loss) and comprehensive income	(5,081)	1,032	(4,049)
Net earnings (loss) and comprehensive income attributed to:			
Non-controlling interest	234	35	269
Shareholders	(5,315)	997	(4,318)
	(5,081)	1,032	(4,049)

[1)] Reclassification adjustment of Iris historical information to conform to presentation adopted by New Look Vision. Other income and expenses reclassified to revenues with the exception of (loss) gain on disposal of property, equipment and intangible assets reclassified to depreciation, amortization and loss on disposal.

[2)] Reclassification adjustment of Iris historical information to conform to presentation adopted by New Look Vision. Operating expenses and administrative expenses reclassified to other operating expenses with the exception of employee remuneration expenses reported separately.

[3)] Reclassification adjustment of Iris historical information to conform to presentation adopted by New Look Vision. Interest expense and interest income reclassified to financial expenses, net of interest revenue.

3. Pro Forma Adjustments to the Consolidated Statements of Earnings (continued)

a) IFRS reconciliation for the 6-month period ended June 30, 2017

	Iris - Historical ASPE	IFRS Reconciliation Adjustments	Iris - IFRS	
	$	$	$	
Revenues	30,624		30,624	1
Materials consumed	8,077		8,077	
Employee remuneration expense	10,801		10,801	2
Other operating expenses	9,118		9,118	2
Earnings before depreciation, amortization, loss on disposal, financial expenses and income from investments measured using the equity method	2,628		2,628	
Depreciation, amortization and loss on diposal	1,292		1,292	
Financial expenses, net of interest revenue	744		744	3
Income from investments measured using the equity method	(624)	(78)	(702)	
Earnings before income taxes	1,216	78	1,294	
Income taxes				
Current	414	(405)	9	
Deferred		96	96	
Total income taxes	414	(309)	105	
Net earnings and comprehensive income	802	387	1,189	
Net earnings and comprehensive income attributed to:				
Non-controlling interest	310	20	330	
Shareholders	492	367	859	
	802	387	1,189	

1) Reclassification adjustment of Iris historical information to conform to presentation adopted by New Look Vision. Other income and expenses reclassified to revenues with the exception of (loss) gain on disposal of property, equipment and intangible assets reclassified to depreciation, amortization and loss on disposal.

2) Reclassification adjustment of Iris historical information to conform to presentation adopted by New Look Vision. Operating expenses and administrative expenses reclassified to other operating expenses with the exception of employee remuneration expenses reported separately.

3) Reclassification adjustment of Iris historical information to conform to presentation adopted by New Look Vision. Interest expense and interest income reclassified to financial expenses, net of interest revenue.

3. Pro Forma Adjustments to the Consolidated Statements of Earnings (continued)

b) Employee remuneration expense was decreased to remove the remuneration paid to the former President of Iris who has retired as well as one additional employee of Iris who was not assumed by New Look Vision. The adjustments amounted to $416,000 and $390,000 respectively for the year ended December 31, 2016 and the 26-week period ended July 1, 2017.

c) Other operating expenses were decreased to remove acquisition related costs incurred by New Look Vision and Iris in connection with the acquisition. The adjustments amounted to $2,367,000 and $2,915,000 respectively for the year ended December 31, 2016 and the 26-week period ended July 1, 2017. These acquisition related costs were removed as they are assumed to have been incurred prior to the acquisition date.

d) Depreciation and amortization expense was increased to reflect the additional amortization resulting from the fair value increments on the purchase price allocation impacting Iris' intangibles acquired over the period of their expected benefit. The adjustments amounted to a ($109,000) and $747,000 respectively for the year ended December 31, 2016 and the 26-week period ended July 1, 2017.

e) Financial expenses were increased to reflect the additional financing costs as a result of the debt New Look Vision obtained to finance the acquisition, $3,997,000 and $1,965,000 respectively for the year ended December 31, 2016 and the 26-week period ended July 1, 2017. In addition, the financial expenses were decreased to remove the interest expense and past refinancing costs in Iris, related to the debt not assumed by New Look Vision upon the acquisition, $1,771,000 and $252,000 respectively for the year ended December 31, 2016 and the 26-week period ended July 1, 2017. The net increase in financial expenses amounted to $2,226,000 and $1,713,000 respectively for the year ended December 31, 2016 and the 26-week period ended July 1, 2017. The balance of New Look Vision's acquisition-term facility increased from $54.75 million to $95 million. Revised scheduled annual repayments increased from $6 million to $9.5 million, with all outstanding balances being repayable on October 24, 2021. Applicable interest rates under the revised facility are calculated on the same basis as prior to the amendment, however, with the addition of a maximum range, in determining the applicable interest rate for a period. New Look Vision's new unsecured loan from a development capital fund bears interest at a rate of 5.5%, and is repayable on October 24, 2022.

f) The income tax expense has been increased to reflect the impact of the above pro forma adjustments by $162,000 and $462,000 respectively for the year ended December 31, 2016 and the 26-week period ended July 1, 2017. The rate used reflects the approximate income tax rate of the new subsidiary.

3. Pro Forma Adjustments to the Consolidated Statements of Earnings (continued)

g) The pro forma consolidated earnings per share were calculated as follows:

	Year ended Dec. 31, 2016	26-Week period ended Jul. 1, 2017
Pro forma net earnings attributed to shareholders of New Look Vision	7,358	5,151
Weighted average number of common shares used in basic earnings per share	13,528,772	13,590,588
Shares issued in connection with the acquisition	1,616,000	1,616,000
Pro forma weighted average number of common shares used in basic earnings per share	15,144,772	15,206,588
Dilutive effect of stock options	314,049	286,375
Pro forma weighted average number of common shares used in diluted earnings per share	15,458,821	15,492,963
Pro forma net earnings per share		
Basic	0.49	0.34
Diluted	0.48	0.33
Historical net earnings per share		
Basic	0.83	0.29
Diluted	0.81	0.28

4. Pro Forma Adjustments to the Consolidated Balance Sheet

a) Iris' unaudited balance sheet as at June 30, 2017, adjusted to reconcile with IFRS and to the carrying value of net assets acquired:

	Iris - ASPE	IFRS Reconciliation Adjustments	Iris - IFRS	Elements not acquired or assumed	Iris' carrying value of net assets acquired
	$	$	$	$	$
ASSETS					
Current assets					
Cash	4,536		4,536		4,536
Receivables	6,146		6,146		6,146
Income taxes receivable	1,570	405	1,975		1,975
Loans and advances to related parties	7,844		7,844		7,844
Inventory	8,609		8,609		8,609
Prepaid expenses	422		422		422
Total current assets	29,127	405	29,532		29,532
Equity accounted investments	5,458	78	5,536		5,536
Deferred tax assets		1,945	1,945		1,945
Loans and advances to related parties	2,898		2,898		2,898
Property and equipment	7,433		7,433		7,433
Goodwill	13,256		13,256		13,256
Other intangible assets	14,063		14,063		14,063
Total assets	72,235	2,428	74,663		74,663
LIABILITIES					
Current liabilities					
Accounts payable, accrued liabilities and provisions	17,247		17,247	(994)	16,253 [1]
Advances from related parties	3,657		3,657		3,657
Income taxes payable					
Instalments on long-term debt	5,356		5,356	(3,095)	2,261 [2]
Total current liabilities	26,260		26,260	(4,089)	22,171
Long-term debt	16,820		16,820	(13,838)	2,982 [2]
Other non-current liabilities					
Deferred tax liabilities		992	992		992
Total liabilities	43,080	992	44,072	(17,927)	26,145
EQUITY					
Common shares	11,867		11,867		11,867
Contributed surplus					
Retained earnings	14,030	1,757	15,787	17,927	33,714
Equity attributable to shareholders	25,897	1,757	27,654	17,927	45,581
Non-controlling interest	3,258	(321)	2,937		2,937
Total equity	29,155	1,436	30,591	17,927	48,518
Total liabilities and equity	72,235	2,428	74,663		74,663

1) Account payable with extended terms not assumed by New Look Vision and reimbursed at closing of the transaction

2) Long-term debt not assumed by New Look Vision and reimbursed at closing of the transaction

4. Pro Forma Adjustments to the Consolidated Balance Sheet (continued)

b) The adjustments reflect the purchase price allocation of the net assets acquired at their fair values, any excess being allocated to goodwill:

	Iris' carrying value of net assets acquired - Note 4(a)	Fair value of net assets acquired	Pro forma adjustments
	$	$	$
ASSETS			
Current assets			
Cash	4,536	4,536	
Receivables	6,146	6,146	
Income taxes receivables	1,975	1,975	
Loans and advances	7,844	7,844	
Inventory	8,609	8,609	
Prepaid expenses	422	422	
Total current assets	29,532	29,532	
Equity accounted investments	5,536	21,680	16,144
Deferred tax assets	1,945	1,945	
Loans and advances	2,898	2,898	
Property and equipment	7,433	7,433	
Goodwill	13,256	39,477	26,221
Other intangible assets	14,063	75,900	61,837
Total assets	74,663	178,865	104,202
LIABILITIES			
Current liabilities			
Accounts payable, accrued liabilities and provisions	16,253	16,253	
Advances from related parties	3,657	3,657	
Income taxes payable			
Instalments on long-term debt	2,261	2,261	
Total current liabilities	22,171	22,171	
Long-term debt	2,982	2,982	
Other non-current liabilities			
Deferred tax liabilities	992	18,925	17,933
Total liabilities	26,145	44,078	17,933
EQUITY			
Common shares	11,867	119,645	107,778
Contributed surplus			
Retained earnings	33,714		(33,714)
Equity attributable to shareholders	45,581	119,645	74,064
Non-controlling interest	2,937	15,142	12,205
Shareholders' equity	48,518	134,787	86,269
Total liabilities and equity	74,663	178,865	104,202

The above purchase price allocation represents management's preliminary assessment of the fair value of the net assets acquired. Other intangible assets are mainly comprised of tradenames, customer relationships and other contractual rights, to be amortized in accordance with accounting policies and standards used by New Look Vision. Final figures may vary from the amounts used for these pro forma adjustments.

4. Pro Forma Adjustments to the Consolidated Balance Sheet (continued)

c) New Look Vision financed the acquisition as follows:

	Gross Proceeds	Fees	Net Proceeds	
	$	$	$	
Borrowings through credit facilities with bank syndicate	38,099	766	37,333	1
Loan from a development capital fund	35,000	1,400	33,600	2
	73,099	2,166	70,933	
Issuance of 1,616,000 Class A common shares	49,999	788	49,211	3
	123,098	2,954	120,144	

Net proceeds above	120,144	
Deferred income taxes related to the issuance of shares	242	3
	119,902	
Purchase price of acquisition, net of adjustments	119,645	
Other acquisition costs	257	4
	119,902	
Estimated remaining acquisition costs	962	5

1) Instalments on new long-term debt through the acquisition credit facilities for the next year amount to $3,500,000 leaving a long-term portion of $33,833,000.

2) The loan from a development capital fund does not provide for any instalments over the next five years.

3) Fees, net of interest revenues, related to the issuance of shares are net of deferred taxes in the amount of $242,000.

4) Other acquisition costs of $257,000 are in addition to the financing fees.

5) Estimated remaining acquisition costs to be paid out of cash balance not included in July 1, 2017 financial statements.

Consolidated Financial Statements of

IRIS, LE GROUPE VISUEL (1990) INC.

Year ended December 31, 2016

IRIS, LE GROUPE VISUEL (1990) INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Iris, Le Groupe Visuel (1990) Inc.

We have audited the accompanying consolidated financial statements of Iris, Le Groupe Visuel (1990) Inc., which comprise the consolidated balance sheet as at December 31, 2016, the consolidated statements of (loss) earnings, retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated balance sheet of Iris, Le Groupe Visuel (1990) Inc. as at December 31, 2016, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Comparative Information

The consolidated financial statements of Iris, le Groupe Visuel (1990) Inc. as at and for the year ended December 31, 2015 are unaudited. Accordingly, we do not express an opinion on them.

KPMG LLP*

October 6, 2017

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A120841

IRIS, LE GROUPE VISUEL (1990) INC.

Consolidated Balance Sheet

December 31, 2016, with comparative information for 2015

		2016		2015 (Unaudited)
Assets				
Current assets:				
Cash and cash equivalents	$	5,779,725	$	5,840,986
Trade and other accounts receivable (note 5)		5,436,906		5,105,956
Inventory		6,751,039		5,943,700
Prepaid expenses		345,181		342,283
Income taxes receivable		364,339		–
Current portion of advances to related parties (note 6)		8,279,072		10,416,553
		26,956,262		27,649,478
Equity accounted investments (note 7)		5,186,543		4,693,808
Advances to related parties (note 6)		3,286,047		1,075,200
Property and equipment (note 8)		6,628,484		8,589,485
Intangible assets (note 9)		20,530,097		13,691,010
	$	62,587,433	$	55,698,981
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 11)	$	16,067,001	$	16,215,992
Vendors' line of credit (note 11)		1,159,751		1,283,100
Income taxes payable		–		93,322
Advances from related parties (note 12)		2,121,421		2,286,154
Current portion of capital lease obligations (note 13)		1,315		985,935
Current portion of long-term debt (note 14)		4,091,154		2,767,660
		23,440,642		23,632,163
Long-term capital lease obligations (note 13)		–		435,685
Long-term debt (note 14)		11,454,163		2,121,295
		34,894,805		26,189,143
Shareholders' equity:				
Capital stock (note 16)		11,866,781		10,240,991
Retained earnings		13,538,445		18,918,579
Total shareholders' equity interest		25,405,226		29,159,570
Non-controlling interest		2,287,402		350,268
		27,692,628		29,509,838
Contingencies (note 17)				
Commitments (note 18)				
Subsequent event (note 22)				
	$	62,587,433	$	55,698,981

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

IRIS, LE GROUPE VISUEL (1990) INC.

Consolidated Statement of (Loss) Earnings

Year ended December 31, 2016, with comparative information for 2015

	2016	2015 (Unaudited)
Revenues (note 3)	$ 45,130,709	$ 32,680,031
Cost of sales	12,631,507	8,916,880
Gross profit	32,499,202	23,763,151
Expenses and other income:		
Operating expenses	22,148,622	13,692,723
Administrative expenses	13,078,980	9,179,038
Depreciation and amortization	3,913,268	1,988,098
Interest expense	2,194,963	891,716
Interest income	(217,027)	(133,871)
Other income and expenses (note 4)	(1,877,340)	(1,749,561)
	39,241,466	23,868,143
Loss before the undernoted	(6,742,264)	(104,992)
Income from investments measured using the equity method	1,330,225	974,054
(Loss) earnings before income taxes	(5,412,039)	869,062
Current income taxes (recovery)	(331,441)	203,764
Net (loss) earnings	$ (5,080,598)	$ 665,298
Net (loss) earnings attributable to:		
Controlling interest	$ (5,314,334)	$ 635,296
Non-controlling interest	233,736	30,002
Net (loss) earnings	$ (5,080,598)	$ 665,298

See accompanying notes to consolidated financial statements.

IRIS, LE GROUPE VISUEL (1990) INC.

Consolidated Statement of Retained Earnings

Year ended December 31, 2016, with comparative information for 2015

	2016	2015 (Unaudited)
Retained earnings, beginning of year	$ 18,918,579	$ 20,992,387
Net (loss) earnings attributable to controlling interest	(5,314,334)	635,296
	13,604,245	21,627,683
Distribution to shareholders:		
Premium on share repurchase	65,800	2,710,094
Recovered refundable tax	–	(990)
	65,800	2,709,104
Retained earnings, end of year	$ 13,538,445	$ 18,918,579

See accompanying notes to consolidated financial statements.

IRIS, LE GROUPE VISUEL (1990) INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015 (Unaudited)
Cash provided by (used in):		
Operating:		
Net (loss) earnings	$ (5,080,598)	$ 665,298
Items not involving cash:		
Depreciation and amortization	3,913,268	1,988,098
Loss on disposal of investments	–	2,835,475
Loss (gain) on disposal of property and equipment and intangible assets	272,692	(2,981,827)
Income from investments measured using the equity method	(1,330,225)	(974,055)
Change in non-cash operating working capital:		
Trade and other receivables	2,056,301	(717,023)
Inventories	447,048	178,075
Prepaid expenses	(2,898)	500,986
Accounts payable and accrued liabilities	(1,754,883)	3,312,247
Income taxes payable	(457,661)	(38,574)
	(1,936,956)	4,768,700
Financing:		
Advances from related parties	(73,366)	(195,500)
Capital lease payments	(1,420,305)	(902,935)
Long-term debt issuance	12,422,128	1,739,656
Repayment of long-term debt	(4,222,601)	(1,132,951)
Share issuance	–	1,780,000
Share repurchase	(70,010)	(3,179,775)
Refundable tax on dividends	–	991
	6,635,846	(1,890,514)
Investing:		
Advances to related parties	(164,733)	(565,784)
Net variation in investments	(499,186)	407,338
Proceeds from sale of property and equipment	764,865	–
Acquisition of property and equipment	(70,452)	(81,860)
Business acquisitions net of cash (note 2)	(4,790,645)	(5,576,850)
	(4,760,151)	(5,817,156)
Decrease in cash and cash equivalents	(61,261)	(2,938,970)
Cash and cash equivalents, beginning of year	5,840,986	8,779,956
Cash and cash equivalents, end of year	$ 5,779,725	$ 5,840,986

See accompanying notes to consolidated financial statements.

Iris, Le Groupe Visuel (1990) Inc. (the "Company") is incorporated under the Québec *Business Corporations Act*. The Company acts as a franchisor of optical stores and is involved in the retail sale of eyewear products and services. It also handles the management of a purchasing center for the stores and the members.

1. Significant accounting principles:

The consolidated financial statements were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and include the following significant accounting policies:

(a) Consolidation:

The consolidated financial statements include the accounts of the Company and all of its subsidiaries:

La Lunetterie Classic inc. - 100% ownership

Clinique visuelle 307 Sainte-Caterine inc. - 75% ownership

Perjac inc. - 100% ownership (Montréal-Nord)

Clinique visuelle 413 inc. - 100% ownership (Trois-Rivières)

Clinique visuelle Boisbriand inc. - 100% ownership

Clinique visuelle 160 inc. - 100% ownership (Outremont)

Clinique visuelle 353 Ste-Dorothée inc. - 100% ownership

Centre opto-visuel inc. - 100% ownership (Brossard)

Labopto Vallée inc. - 100% ownership (Rock Forest)

Gesopto inc. - 100% ownership (Vimont)

Clinique visuelle du Témiscamingue inc. - 59.99% ownership (Ville-Marie)

Clinique visuelle regard nouveau inc. - 75% ownership (La Pocatière, St-Jean-Port-Joli, Montmagny)

Iris Sévigny inc. - 93.75% ownership (St-Jean-Chrysostome)

Centre d'optométrie du Richelieu inc. - 80% ownership (Sorel)

Iris, The Visual Group Western Canada Inc. - 100% ownership

Iris Western Franchising Inc. - 100% ownership

Iris Ophthalmology Clinic Inc. - 100% ownership

Optagest Canada Inc. - 75% participation

Douglas Optical Dispensary Inc. - 75% ownership

1. Significant accounting principles (continued):

(a) Consolidation (continued):

The Company's determination of its subsidiaries is based on its control of entities that are subject to consolidation and reflects its continuing power to determine their strategic operating, investing and financing policies without the cooperation of others, in a manner that would earn the Company the right and ability to obtain future economic benefits from these entities and exposes the Company to the related risks.

In order to assess control, the Company considers its level of equity/residual interest in these entities along with various other factors.

(b) Use of estimates:

The preparation of these consolidated financial statements in accordance with ASPE requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the current year. However, actual information could differ from that determined based on these estimates and assumptions. These estimates are reviewed periodically and adjustments are made to income in the year they become known.

(c) Revenue recognition:

Revenues are recognized where there is evidence of the existence of an agreement, the goods have been delivered or the service has been rendered, the price has been established or is able to be established and recovery is reasonably certain.

Royalties are recorded as they are earned under contractual requirements.

(d) Income taxes:

The Company uses the taxes payable method to account for income taxes whereby the expense (income) of the year consists only of the cost (benefit) of current income taxes for that year, determined in accordance with the rules established by taxation authorities.

(e) Financial instruments:

Measurement of financial instruments:

The Company initially measures its financial assets and liabilities at fair value, except for certain related party transactions, which are measured either at the carrying amount or the exchange amount. They are subsequently measured at amortized cost.

1. Significant accounting principles (continued):

(f) Cash and cash equivalents:

The Company's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

(g) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(h) Investments:

Investments for which the Company has significant influence or joint control are accounted for using the equity method.

(i) Property and equipment:

Property and equipment are recorded at historical cost, less accumulated depreciation. Depreciation is calculated using the following methods, rates and periods:

Asset	Basis	Rate/period
Building	Declining balance	4%
Equipment	Declining balance	10% and 20%
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	20% and 30%
Signs	Declining balance and straight-line	20% and 30% or 10 years
Rolling stock	Declining balance	30%
Leasehold improvements	Straight-line	2 ½ to 10 years

1. Significant accounting principles (continued):

(j) Impairment of long-lived assets:

Long-lived assets, including property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(k) Intangible assets:

Amortizable intangibles are recorded at historical cost, less accumulated amortization. Amortization is calculated using the following methods, rates and periods:

Asset	Basis	Rate/period
Customer relationships	Straight-line	6%
Software	Declining balance and straight-line	30% or 3 years
Non-compete agreements	Straight-line	3 years
Rearrangement costs	Straight-line	10 years
Franchise licenses	Straight-line	20 years

The trade names are not amortized.

(l) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair value. Goodwill is allocated, at the date of the business acquisition, to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying amount of the reporting unit to which goodwill is assigned may exceed the fair value of the reporting unit. When the carrying amount of a reporting unit, including goodwill, exceeds its fair value, an impairment loss is charged to goodwill in an amount equal to the excess. An impairment loss is not subsequently reversed.

1. Significant accounting principles (continued):

(m) Pension plan:

The Company has a fixed contribution pension plan, which is admissible to all employees with a minimum service to the Company of one year.

The amount of the contributions vary from one employee to another and is determined by the employee. The Company matches the employee’s contribution up to a maximum of 5% of the employee's base salary. Contributions to the plan are recognized as an expense in the period in which the employee rendered services.

(n) Reclass of prior year comparatives:

Comparative information has been reclassed to conform to the current year presentation.

2. Business acquisitions:

During the year, the Company completed 13 acquisitions (2015 - 10), comprising 25 stores (2015 - 12). All of the acquired businesses are involved in the retail sale of eyewear products and services. The acquisition-date value of consideration transferred was $7,750,835 (2015 - $12,256,042) made up of $4,790,645 (2015 - $5,576,850) in cash, $1,130,000 (2015 - $3,230,000) in 113 Class B common shares (2015 - 323), a balance of sale payable of $1,830,190 bearing interest of 5% and payable over the next three years (2015 - $1,931,866) and assumed debt of nil (2015 - $1,517,326).

The purchase price allocation relating to these acquisitions resulted in the recognition of $3,992,350 (2015 - $4,468,950) in customer relationships, nil (2015 - $443,473) in trade names, $140,082 (2015 - $156,805) in non-compete agreements and $2,871,690 (2015 - $2,771,033) in goodwill.

3. Revenues:

	2016	2015 (Unaudited)
Head office:		
Buying group	$ 3,353,801	$ 3,541,177
Administrative royalties	1,749,479	1,988,782
Gestop rental revenues	232,905	284,796
Accounting revenues	597,448	585,577
Management fees	264,787	370,329
Other revenues	498,628	334,195
	6,697,048	7,104,856
Retail	38,089,048	23,407,553
Supplies - Créations JRP	–	530,537
Supplies - Lunetterie Classic	533,168	1,743,792
Laser profit sharing	(188,555)	(106,707)
	38,433,661	25,575,175
	$ 45,130,709	$ 32,680,031

4. Other income and expenses:

	2016	2015 (Unaudited)
(Loss) gain on disposal of property, equipment and intangible assets	$ (272,692)	$ 146,351
Fee sharing	2,072,292	1,447,066
Security revenues	78,260	152,062
Other	(520)	4,082
	$ 1,877,340	$ 1,749,561

5. Trade and other accounts receivable:

	2016	2015 (Unaudited)
Trade accounts receivable	$ 3,070,949	$ 2,777,624
Receivable from equity accounted investments	232,802	479,629
Receivable from companies under common control	46,708	4,933
Receivable from not-for-profit company with common directors	682,762	207,996
Sales taxes	465,616	141,954
Other	938,530	1,494,320
	5,437,367	5,106,456
Provision for bad debts	461	500
	$ 5,436,906	$ 5,105,956

6. Advances to related parties:

	2016	2015 (Unaudited)
Advances to equity accounted investments, bearing 5% interest and with no specific terms of repayment	$ 1,928,349	$ 5,925,082
Advances to equity accounted investments, bearing 4.11% interest and with no specific terms of repayment	3,065,749	–
Advances to equity accounted investments, without interest and with no specific terms of repayment	5,558,351	2,024,426
Advances to franchises, without interest and with no specific terms of repayment	5,305	427,179
Advances to a not-for-profit company with common directors, bearing 5% interest and with no specific terms of repayment	3,930	3,267
Advances to a company, without interest and with no specific terms of repayment	4,369	4,311
Advances to shareholders, bearing 10% interest, payable on demand	–	85,759
Promissory notes to shareholders, bearing 1% interest, payable in December 2016	–	1,732,125
Advance to shareholders, without interest and with no specific terms of repayment	165,395	159,000
Advances to affiliates with no specific terms of repayment	833,671	1,130,604
	11,565,119	11,491,753
Current portion	8,279,072	10,416,553
	$ 3,286,047	$ 1,075,200

7. Investments:

The Company holds investments measured using the equity method. The carrying value of these investments is:

	% interest	2016	2015 (Unaudited)
Optique Les Saules Inc.	50.0	$ 375,660	$ 374,375
Clinique d'Optométrie Vaudreuil-Dorion Inc. (4)	50.0	287,889	Consolidated
Clinique Visuelle du Centropolis Inc. (Chomedey)	50.0	(6,179)	28,446
Clinique Visuelle Port-Cartier Inc. (1)	37.5	168,441	–
Clinique Visuelle La Malbaie Inc. (1)	37.5	473,767	–
9085-7160 Québec Inc. (Rouyn-Noranda) (1)	50.0	1,751,962	–
2539-6045 Québec Inc. (Amos) (1)	50.0	200,840	–
Iris Lasarre Inc. (1)	20.0	35,642	–
Clinique Visuelle Fleurimont Inc. (1)	37.5	99,099	–
Centre de Vision Pieraut Hochelaga Inc. (2)	75.0	Consolidated	305,789
Clinique Visuelle Mail Champlain Inc.	50.0	(159,395)	(147,170)
Liette Bougie Optometriste Inc. (Kirkland)	50.0	168,995	163,319
Clinique Visuelle Val-Belair Inc.	50.0	51,115	45,730
Clinique d'Optométrie St-Canut Inc.	50.0	206,983	186,145
Gestion Optique Havre-St-Pierre Inc. (1)	37.5	74,890	–
Clinique d'Optométrie New Richmond s.e.n.c.r.l. (1)	37.5	88,707	–
Optagest Canada Inc. (3)	75.0	Consolidated	2,568,682
Clinique d'Optométrie Varennes Inc.	50.0	(51,453)	(30,728)
Clinique Visuelle 335 Inc. (Ste-Rose)	50.0	345,672	370,524
Clinique Visuelle 362 St-Eustache Inc.	50.0	224,517	215,006
Clinique Visuelle St-Jean Inc.	50.0	10,828	8,923
9064-1002 Québec Inc. (Ophtalmologie)	50.0	94,978	137,815
Clinique Visuelle Tardif Inc. (Haute-Ville) (1)	37.5	43,432	–
Clinique Visuelle Terrebonne Inc.	50.0	12,858	19,000
Clinique Visuelle St-Emile Inc.	50.0	17,824	(18,815)
Clinique Visuelle 399 Inc. (Gatineau) (2)	60.0	Consolidated	66,737
Clinique Visuelle 400 Inc. (St-Hyacinthe)	50.0	32,963	5,654
Clinique d'Optométrie St-Bruno Inc.	50.0	255,353	248,527
Clinique Visuelle 419 Inc. (Boucherville)	62.5	(196,435)	(126,296)
Création JRP (2015) Inc.	40.0	83,540	89,872
Eyeworks Optical Ltd	50.0	96,075	76,349
West Market Eyecare Inc. (2)	100.0	Consolidated	82,524
Rubicon Optical Ltd	50.0	315,042	284,279
Shaganappi Eyecare Inc.	50.0	606,897	637,068
Balance carried forward		5,710,507	5,591,755

7. Investments (continued):

	% interest	2016	2015 (Unaudited)
Balance brought forward		$ 5,710,507	$ 5,591,755
619 Eyecare Inc.	50.0%	18,023	8,157
Mid-Island Eyecare Inc. (620, 624, 626, 634, 650)	50.0%	233,927	194,972
Lloydminster Eyecare Inc. [2]	100.0%	Consolidated	(57,500)
622 Eyecare Inc. (Camrose Eyecare Inc.)	50.0%	78,954	28,857
627 Eyecare Inc.	50.0%	(194,781)	(231,827)
628 Eyecare Inc.	50.0%	4,321	5,400
629 Eyecare Inc.	50.0%	(329,656)	(348,517)
Mayfair Eyecare Inc.	50.0%	(181,421)	(149,269)
640 Eyecare Inc.	50.0%	(271,009)	(293,578)
Six-Five-Four Optical Inc.	50.0%	(35,953)	(29,101)
Valley Eyecare Inc.	50.0%	(266,435)	(274,392)
Chilliwack Eyecare Inc.	50.0%	160,348	72,103
Quesnel Building Management Ltd	50.0%	129,430	90,312
673 Eyecare Inc. (674)	50.0%	2,293	(34,847)
Orchard Park Eyecare Inc.	50.0%	(15,002)	(35,251)
Discovery Harbour Eyecare Inc.	50.0%	95,259	83,816
695 Eyecare Inc.	50.0%	(221,274)	(251,491)
807 Eyecare Inc.	50.0%	(292,426)	(273,199)
BCM Technical Services Inc.	50.0%	450,134	439,333
815 Eyecare Inc.	50.0%	76,509	58,710
9668454 Canada Inc. (Société immobilière Optagest Inc.) [1]	45.6%	34,795	99,365
		$ 5,186,543	$ 4,693,808

All negative amounts included in investments represent the Company's guarantee to fund losses of the equity accounted investments.

(1) Acquired in 2016.

(2) Percentage owned in 2015: 50%.

(3) Percentage owned in 2015: 45.6%.

(4) Percentage owned in 2015: 100%.

8. Property and equipment:

			2016
	Cost	Accumulated depreciation	Net book value
Land	$ 19,480	$ –	$ 19,480
Building	710,757	307,197	403,560
Equipment	3,790,642	2,671,101	1,119,541
Furniture and fixtures	9,107,997	7,659,101	1,448,896
Computer equipment	2,248,889	1,913,041	335,848
Signs	694,015	541,296	152,719
Leasehold improvements	13,198,859	10,125,400	3,073,459
Equipment under capital lease	347,871	272,890	74,981
	$ 30,118,510	$ 23,490,026	$ 6,628,484

			2015 (Unaudited)
	Cost	Accumulated depreciation	Net book value
Land	$ 68,500	$ –	$ 68,500
Building	1,249,141	515,222	733,919
Equipment	3,021,372	1,887,334	1,134,038
Furniture and fixtures	8,120,697	6,421,708	1,698,989
Computer equipment	1,814,979	1,481,581	333,398
Signs	504,880	409,308	95,572
Rolling stock	13,909	10,491	3,418
Leasehold improvements	12,224,810	7,827,884	4,396,926
Equipment under capital lease	415,597	290,872	124,725
	$ 27,433,885	$ 18,844,400	$ 8,589,485

9. Intangible assets:

			2016	2015 (Unaudited)
	Cost	Accumulated depreciation	Net book value	Net book value
Intangible assets subject to amortization:				
Customer relationship	$ 12,771,548	$ 3,883,207	$ 8,888,341	$ 6,449,723
Software	919,970	444,259	475,711	37,483
Non-compete agreement	402,787	197,067	205,720	173,344
Rearrangement costs	602,880	512,448	90,432	150,721
Franchise licences	31,480	22,143	9,337	11,743
Intangible assets not subject to amortization:				
Goodwill	10,417,081	–	10,417,081	6,424,521
Trade Name	443,475	–	443,475	443,475
	$ 25,589,221	$ 5,059,124	$ 20,530,097	$ 13,691,010

10. Bank operating line of credit:

The Company has an authorized line of credit of a total of $4,000,000 renewable in September 2019, which bears interest from prime rate plus 1.20% to prime rate plus 2.50%. The bank indebtedness is secured by a first rank mortgage on all present and future assets. There were no amounts drawn on this facility at December 31, 2016 and 2015.

11. Accounts payable and accrued liabilities:

	2016	2015 (Unaudited)
Trade payables and accrued liabilities	$ 7,816,958	$ 8,819,580
Payable to equity accounted investments	175,687	69,637
Payable to not-for-profit company with common administrators	183,448	589,017
Deferred credits	738,004	738,041
Other payables	1,705,703	1,071,354
Trade payables with extended trading terms	5,447,201	4,928,363
	$ 16,067,001	$ 16,215,992

11. Accounts payable and accrued liabilities (continued):

The Company has trade payables with extended trading terms with several suppliers with a lifespan of 180 days without interest. For one supplier, this credit is secured by a mortgage of $2,000,000.

Certain vendors supply inventory for resale to the Company on a line of credit equal approximately to the value of the inventory for these suppliers on display at the store. The lines of credit are without interest and are payable within 60 days of demand. The Company has the option, in the event that a vendor demands payment of a line of credit, to return the inventory on display to the vendor for full credit in settlement of the line of credit. Total inventory on line of credit from vendors was $1,159,751 at December 31, 2016 (2015 - $1,283,100).

12. Advances from related parties:

	2016	2015 (Unaudited)
Advances from equity accounted investments, bearing 5% interest and with no specific terms of repayment	$ 433,725	$ 1,890,939
Advances from equity accounted investments, without interest with no specific terms of repayment	1,642,696	–
Advances from franchises, without interest with no specific terms of repayment	–	273,792
Advances from not-for-profit company with common administrators, without interest with no specific terms of repayment	–	11,198
Advances from shareholders, without interest and with no specific terms of repayment	45,000	110,225
	$ 2,121,421	$ 2,286,154

13. Capital lease obligations:

The Company has financed certain property and equipment by entering into a capital lease agreement which matured in February 2017 with a repayment of $1,315.

14. Long-term debt:

	2016	2015 (Unaudited)
Term loan, variable interest of 4.11% at December 31, 2016, secured by a first rank mortgage on all present and future assets, maturing in September 2019	$ 11,089,286	$ –
Term loan, 5.3%, secured by a mortgage on an optic equipment, repayable in monthly instalments of $1,285, capital and interest, maturing in May 2019	35,950	–
Term loan, preferential rate plus 1.75%, secured by a chattel mortgage on the assets of the Company, repayable in monthly instalments of $1,042 plus interest, maturing in October 2018	21,875	–
Term loan, 8.23%, secured by a mortgage on the assets of the Company and those of a subsidiary, repayable in monthly instalments of $1,959, capital and interest, which matured in March 2016	–	5,797
Term loan, 8.23%, secured by a mortgage on the assets of the Company and those of a company under significant influence, repayable in monthly instalments of $1,037, capital and interest, which matured in March 2016	–	3,070
Term loan, 7.75%, secured by a mortgage on the assets of a company under significant influence, repayable in monthly instalments of $3,464, capital and interest, which matured in March 2016	–	85,567
Note payable, 5%, repayable in annual instalments of $29,018 plus interest, which matured in September 2016	–	29,018
Notes payable, 5%, repayable in annual instalments of $4,400 each plus interest, which matured in May 2016	–	8,800
Balance carried forward	11,147,111	132,252

14. Long-term debt (continued):

	2016	2015 (Unaudited)
Balance brought forward	$ 11,147,111	$ 132,252
Term loan, 3.85%, secured by a mortgage on the assets of a subsidiary and a mortgage on all present and future assets of two clinics, repayable in monthly instalments of $15,934, capital and interest, repaid in 2016	–	367,534
Term loan, 3.85%, secured by a mortgage on all present and future equipment of a subsidiary and by a mortgage on the assets of a subsidiary, repayable in monthly instalments of $4,602, capital and interest, repaid in 2016	–	118,842
Term loan, 4.36%, secured by a mortgage on the assets of a subsidiary, repayable in monthly instalments of $836, capital and interest, repaid in 2016	–	22,975
Term loan, 4.3%, secured by a mortgage on the assets of a subsidiary, repayable in monthly instalments of $2,229, capital and interest, repaid in 2016	–	71,206
Term loan, repayable in monthly instalments of $5,247, without interest, which matured in January 2016	–	5,246
Term loan, 4.3%, secured by a mortgage on the assets of a subsidiary and a mortgage on all present and future equipment of a clinic, repayable in monthly instalments of $4,828, capital and interest, repaid in 2016	–	158,532
Term loan, 3.45%, secured by the equipment of a clinic, repayable in monthly instalments of $7,330, capital and interest, renewed in October 2016, repaid in 2016	–	391,068
Term loan, 7.17%, secured by a mortgage on the assets of the Company, repayable in monthly instalments of $1,524 capital and interest, which matured in January 2016	–	1,515
Balance carried forward	11,147,111	1,269,170

14. Long-term debt (continued):

	2016	2015 (Unaudited)
Balance brought forward	$ 11,147,111	$ 1,269,170
Mortgage, prime rate plus 2%, renewed in July 2016. This mortgage covers a building with a net book value of $353,964, payable in monthly instalments of $1,750 plus interest, repaid in 2016	–	75,250
Balance of sale, repayable in annual instalments of $168,103 plus interest at 5%, maturing in July 2017	168,103	286,206
Balance of sale, repayable in annual instalments of $50,000 plus interest at 5%, maturing in January 2018	100,000	200,000
Balance of sale, repayable in annual instalments of $73,821 without interest, maturing in October 2018	221,462	200,000
Balance of sale, repayable in annual instalments of $105,000 plus interest at 5%, maturing in November 2017	105,000	210,000
Balance of sale, repayable in annual instalments of $75,000 plus interest at 8%, maturing in November 2017	75,000	150,000
Balances of sale, repayable in annual instalments of $62,707 each plus interest at 5%, maturing in November 2017	125,414	268,000
Balance of sale, repayable in annual instalments of $31,454 plus interest at 5%, maturing in November 2017	31,454	67,200
Balance of sale, repayable in annual instalments of $20,589 plus interest at 5%, maturing in December 2018	61,766	100,460
Balance of sale, repayable in annual instalments of $20,979 plus interest at 5%, maturing in December 2018	41,959	150,000
Balance of sale, repayable in annual instalments of $29,769 plus interest at 5%, maturing in December 2018	59,538	94,762
Balance of sale, repayable in annual instalments of $14,773 plus interest at 5%, maturing in December 2018	29,547	55,238
Balance carried forward	12,166,354	3,126,286

14. Long-term debt (continued):

	2016	2015 (Unaudited)
Balance brought forward	$ 12,166,354	$ 3,126,286
Term loan, secured by a mortgage on the equipment of a subsidiary, repayable in monthly instalments of $967, including interest at 3.5%, repaid in 2016	–	53,176
Term loan, repayable in monthly instalments of $3,067 plus interest at 6.55%, repaid in 2016	–	52,060
Balance of sale, repayable in annual instalments of $30,000, without interest, repaid in 2016	–	90,000
Term loan, secured by a mortgage on the equipment of a subsidiary, repayable in monthly instalments of $999, plus interest at prime rate, repaid in 2016	–	55,632
Term loan, repayable in monthly instalments of $5,360 plus interest at 7.5%, repaid in 2016	–	21,108
Term loan, repayable in monthly instalments of $3,150 plus interest at 8.25%, repaid in 2016	–	48,817
Term loan, repayable in monthly instalments of $2,560, without interest, repaid in 2016	–	92,142
Term loan, repayable in annual instalments of $50,000 plus interest at 5%, repaid in 2016	–	150,000
Term loan, repayable in monthly instalments of $12,149 plus interest at 7.4%, repaid in 2016	–	537,353
Term loan, repayable in monthly instalments of $5,321 plus interest at 7.3%, repaid in 2016	–	235,331
Term loan, repayable in monthly instalments of $755 plus interest at 7.3%, repaid in 2016	–	33,392
Term loan, repayable in monthly instalments of $7,588 plus interest at 7.3%, repaid in 2016	–	335,615
Balance carried forward	12,166,354	4,830,912

14. Long-term debt (continued):

	2016	2015 (Unaudited)
Balance brought forward	$ 12,166,354	$ 4,830,912
Term loan, repayable in monthly instalments of $1,312 plus interest at 7.3%, repaid in 2016	–	58,043
Sale price of $46,966 to be paid in 2017	46,966	–
Sale price of $452,000 to be paid in 2017	452,000	–
Sale price of $269,544 to be paid in a first instalment of $213,390 in 2017 and balance of sale repayable in further annual instalments of $18,718 plus interest at 5%, maturing in December 2019	269,544	–
Balance of sale, repayable in annual instalments of $68,165 plus interest at 5%, maturing in December 2019	204,494	–
Sale price of $152,691 to be paid in a first instalment of $106,869 in 2017 and balance of sale repayable in further annual instalments of $15,274 plus interest at 5%, maturing in March 2019	152,691	–
Balance of sale of $315,428, repayable in annual instalments of $157,714 plus interest at 5%, maturing in March 2018 and $100,000 of earn-out, repayable in two instalments of $50,000, maturing in March 2018	415,428	–
Balance of sale, repayable in annual instalments of $162,923 plus interest at 5%, maturing in March 2019	488,770	–
Balance of sale of $82,146, plus interest at 5%, maturing in March 2019	82,146	–
Balance of sale, repayable in annual instalments of $137,159 plus interest at 5%, maturing in April 2019	411,477	–
Balance of sale, repayable in annual instalments of $10,690 plus interest at 5%, maturing in February 2018	21,381	–
Balance carried forward	14,711,251	4,888,955

14. Long-term debt (continued):

	2016	2015 (Unaudited)
Balance brought forward	$ 14,711,251	$ 4,888,955
Balance of sale, repayable in annual instalments of $121,194 plus interest at 5%, maturing in April 2019	363,581	–
Balance of sale, repayable in annual instalments of $44,901, plus interest at 5%, maturing in December 2018	134,703	–
Balance of sale, repayable in annual instalments of $82,439, plus interest at 5%, maturing in February 2018	164,878	–
Other debts	170,904	–
	15,545,317	4,888,955
Current portion	4,091,154	2,767,660
	$ 11,454,163	$ 2,121,295

Estimated capital repayments over the next three years are as follows:

2017	$ 4,091,154
2018	3,039,902
2019	8,414,261

On September 30, 2016, the Company entered into new senior secured credit facilities in an aggregate amount of $27,300,000, maturing on September 30, 2019. These facilities are secured by a first rank mortgage on all present and future assets and bear interest on either prime rate, US base rate or LIBOR, plus a margin that is adjusted depending on the calculation of a certain financial ratio. The facilities include compliance with certain financial covenants, which the Company was in compliance as at December 31, 2016. The facilities are made up of the following:

- Three-year revolving facility for a maximum of $4,000,000 for working capital purposes (refer to Note 10 for further disclosure on this facility).

14. Long-term debt (continued):

- Three-year non-revolving term facility in the principal amount of $11,500,000 to be used to refinance certain debts existing prior to entering into this new facility. As at December 31, 2016, $11,089,286 was drawn under this facility. The borrowings can be repaid and borrowed at any time, with mandatory quarterly repayments of $410,714, and the balance due on September 30, 2019.
- Three-year non-revolving acquisition facility in the principal amount of $10,500,000. As at December 31, 2016, no amounts were drawn under this facility.
- Hedging facility of up to $1,000,000, payable on demand, to be used to hedge foreign exchange or interest rate risk under hedging contracts. As at December 31, 2016, no amounts were drawn under this facility.
- A $300,000 MasterCard facility, which is a demand facility for corporate credit cards. As at December 31, 2016, no amounts were drawn under this facility.

15. Current income taxes:

Reconciliation of the income tax expense from the application of the statutory income tax rates is as follows:

	2016	2015 (Unaudited)
(Loss) earnings before income taxes	$ (3,771,558)	$ 1,218,425
Income from investments measured using the equity method	(1,544,203)	(1,088,787)
	$ (5,315,761)	$ 129,638
Income tax according to the rate after small business deduction and earnings from fabrication of 26.9%	$ (1,429,940)	$ 34,873
Permanent differences	145,644	33,401
Temporary differences	952,855	135,490
Current income taxes (recovery)	$ (331,441)	$ 203,764

16. Capital stock:

	2016	2015 (Unaudited)
Authorized:		
Common shares, Class A, voting but not participating, without rights to dividends		
Common shares, Class B, non-voting but participating		
Issued:		
Common shares, Class A	$ 135	$ 135
3,956 common shares, Class B (2015 - 3,798)	11,866,646	10,240,856
	$ 11,866,781	$ 10,240,991

(a) Issuance:

In the current year, the Company issued 163 Class B common shares for a total of $1,630,000 for balances of sale on the acquisition of clinics for the same value.

(b) Repurchase:

In the current year, the Company repurchased five Class B common shares for a total of $70,010 in cash, including a premium of share repurchase of $65,800.

17. Contingencies:

The Company guarantees the bank indebtedness and leases of companies over which it has significant influence for a total amount not exceeding $1,605,346.

18. Commitments:

The Company is committed under long-term operating leases maturing until May 2026 for a total consideration of $22,705,849, including commitments of equity accounted investments of $3,047,111. The minimum annual payment requirements are as follows:

2017	$ 6,536,843
2018	5,046,567
2019	3,470,669
2020	2,461,411
2021	1,851,114
Thereafter	3,339,240

18. Commitments (continued):

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

19. Related party transactions:

Other than its subsidiaries, the Company is related to other companies due to the fact that they are under common control. The Company carried out the following transactions with related parties:

	2016	2015 (Unaudited)
Revenues:		
Supplies	$ 402,030	$ 1,066,461
Administrative royalties	384,148	345,992
Marketing royalties	534,726	130,789
Gestop rental revenues	158,448	177,557
Management fees	224,906	219,507
Marketing revenues	852,120	54,955
Interest on advances	158,956	23,987
Interest on obligations and long-term debt	41,572	11,167
Expenses:		
Marketing royalties	882,914	372,732
Interest on advances	93,729	92,074
Iris bonus program	–	95,073
Other	–	46,547

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

20. Loss carry forward:

Unused tax losses of certain subsidiaries are not recognized in the consolidated financial statements. These losses, representing potential tax reductions available through the application of losses carried forward against future years' income, expire as follows:

2028	$	25,516
2029		383,939
2030		125,945
2031		2,165,933
2032		2,203,090
2033		501,286
2034		1,405,820
2035		978,751
2036		3,516,616
	$	11,306,896

21. Financial instruments:

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations as at December 31, 2016.

(a) Credit risk:

Credit risk is the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its trade and other accounts receivable as it provides credit to its customers in the normal course of its operations. The Company is also exposed to this risk with regard to its advances to related parties.

(b) Liquidity risk:

Liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable, line of credit from vendors, long-term debt and advances from related parties.

21. Financial instruments (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its advances to related parties, bank loan, advances from related parties and long-term debt with interest at fixed and floating rates. Fixed-rate instruments subject the Company to a fair value risk while the floating-rate instruments subject it to cash flow risk.

22. Subsequent event:

Subsequent to the year-end, the Company completed 9 acquisitions, comprising 14 stores. All of the acquired businesses are involved in the retail sale of eyewear products and services. An initial payment of $6,321,976, financed by bank borrowings, was paid on completion of the transactions, and a balance of sale of $1,792,388 bearing interest of 5% is payable over the next three years.

In addition, on July 4, 2017, Newlook Vision Group Inc. announced that it had entered into a definitive agreement to acquire all the issued and outstanding shares of the Company for a purchase price of approximately $120 million on a cash-free and debt-free basis. The transaction is expected to close during the month of October, 2017.

23. IFRS reconciliation:

These consolidated financial statements are prepared in accordance with ASPE. The recognition and measurement requirements of ASPE differ from those of International Financial Reporting Standards ("IFRS"). The below tables quantify the material differences on the Company’s net earnings and financial position between ASPE and IFRS, with descriptions thereto of such differences, for the year ended December 31, 2016 and December 31, 2015.

23. IFRS reconciliation (continued):

	2016	2015 (Unaudited)
Net (loss) earnings as previously reported under ASPE	$ (5,080,598)	$ 665,298
Adjustments:		
Changes to income from investments measured using the equity method	(140,206)	(87,285)
Changes to income taxes:		
Current	(286,315)	202,669
Deferred	1,458,175	35,195
Net (loss) earnings reported under International Financial Reporting Standards	$ (4,048,944)	$ 815,877

	December 31, 2016 ASPE	Reconciliation to IFRS	December 31, 2016 IFRS
Shareholders' equity	$ 27,692,628	$ 622,882	$ 28,315,510
Income tax receivable	364,339	(286,315)	78,024
Deferred tax assets	–	2,179,960	2,179,960
Deferred tax liabilities	–	(1,130,557)	(1,130,557)
Investments measured using the equity method	5,186,543	(140,206)	5,046,337

	December 31, 2015 ASPE	Reconciliation to IFRS	December 31, 2015 IFRS
Shareholders' equity	$ 29,509,838	$ (293,388)	$ 29,216,450
Income tax (payable) receivable	(93,322)	194,922	101,600
Deferred tax assets	–	1,013,681	1,013,681
Deferred tax liabilities	–	(1,422,453)	(1,422,453)
Investments measured using the equity method	4,693,808	(87,285)	4,606,523

23. IFRS reconciliation (continued):

ASPE allows the option to apply one of two methods in accounting for income taxes, either the taxes payable method or the future income taxes method. IFRS does not allow this accounting policy option, but rather income taxes must be accounted for under the deferred income taxes method.

The Company applies the current taxes method under ASPE. Consequently, under IFRS, the Company must recognize deferred tax assets and liabilities, impacting both consolidated entities, and investments accounted for under the equity method. In accordance with IFRS, the Company recognized $2,179,960 (2015 - $1,013,681) of deferred tax assets and $1,130,557 (2015 - $1,422,453) of deferred tax liabilities for the year ended December 31, 2016. The nature of the deferred tax assets and liabilities result mainly from timing differences relating to property and equipment, intangible assets and recognition of net operating losses.

Condensed Interim Consolidated Financial Statements of

IRIS, LE GROUPE VISUEL (1990) INC.

Six-month periods ended June 30, 2017 and 2016
(Unaudited)

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INTERIM REVIEW REPORT

To the Board of Directors

In accordance with our engagement letter dated August 1, 2017, we have reviewed the condensed interim consolidated financial statements of Iris, Le Groupe Visuel (1990) Inc., consisting of:

– the consolidated balance sheets as at June 30, 2017;

– the consolidated statements of earnings (loss) for the six-month periods ended June 30, 2017 and June 30, 2016;

– the consolidated statements of retained earnings for the six-month period ended June 30, 2017; and

– the consolidated statements of cash flows for the six-month periods ended June 30, 2017 and June 30, 2016.

These condensed interim consolidated financial statements are the responsibility of management.

We performed our reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor (an "interim review"). An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim reviews, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian accounting standards for privates enterprises.

Comparative Information

We have previously audited, in accordance with Canadian generally accepted auditing standards, the condensed interim consolidated financial statements of Iris, Le Groupe Visuel (1990) Inc., which comprise the consolidated balance sheet as at December 31, 2016, the consolidated statements of earnings (loss), retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our auditors' report dated October 6, 2017, we expressed an unmodified audit opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying consolidated balance sheet as at December 31, 2016 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Use of the Report

This report is for the use of the Board of Directors of Iris, Le Groupe Visuel (1990) Inc. to assist them in discharging their obligation regarding these condensed interim consolidated financial statements, and should not be used for any other purpose.

KPMG LLP*

October 6, 2017

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A120841

IRIS, LE GROUPE VISUEL (1990) INC.

Table of Contents
(Unaudited)

IRIS, LE GROUPE VISUEL (1990) INC.

Interim Consolidated Balance Sheets

June 30, 2017 and December 31, 2016
(Unaudited)

		2017		2016
Assets				
Current assets:				
Cash and cash equivalents	$	4,536,899	$	5,779,725
Trade and other accounts receivable		6,145,634		5,436,906
Inventory		8,609,496		6,751,039
Prepaid expenses		421,771		345,181
Income taxes receivable		1,570,455		364,339
Current portion of advances to related parties (note 4)		7,844,122		8,279,072
		29,127,377		26,956,262
Equity accounted investments		5,458,232		5,186,543
Advances to related parties (note 4)		2,898,092		3,286,047
Property and equipment		7,432,675		6,628,484
Intangible assets		27,318,689		20,530,097
	$	72,235,065	$	62,587,433
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	15,760,217	$	16,067,001
Vendors' line of credit		1,487,090		1,159,751
Advances from related parties (note 5)		3,656,940		2,121,421
Current portion of capital lease obligations		–		1,315
Current portion of long-term debt (note 6)		5,355,780		4,091,154
		26,260,027		23,440,642
Long-term debt (note 6)		16,819,633		11,454,163
		43,079,660		34,894,805
Shareholders' equity:				
Capital stock		11,866,791		11,866,781
Retained earnings		14,029,742		13,538,445
Total shareholders' equity interest		25,896,533		25,405,226
Non-controlling interest		3,258,872		2,287,402
		29,155,405		27,692,628
Subsequent events (note 7)				
	$	72,235,065	$	62,587,433

See accompanying notes to condensed interim consolidated financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

IRIS, LE GROUPE VISUEL (1990) INC.

Interim Consolidated Statements of Earnings (Loss)

Six-month periods ended June 30, 2017 and 2016
(Unaudited)

	2017	2016
Revenues (note 3)	$ 29,341,965	$ 23,378,228
Cost of sales	8,076,822	6,534,349
Gross profit	21,265,143	16,843,879
Expenses and other income:		
Operating expenses	11,878,072	10,471,166
Administrative expenses	8,041,081	6,079,134
Depreciation and amortization	1,316,933	1,185,785
Financing expense	878,109	731,305
Financing income	(133,660)	(106,200)
Other income and expenses	(1,306,661)	(1,155,205)
	20,673,874	17,205,985
Earnings (loss) before the undernoted	591,269	(362,106)
Income from investments measured using the equity method	624,204	425,140
Earnings before income taxes	1,215,473	63,034
Current income taxes	413,884	182,473
Net earnings (loss)	$ 801,589	$ (119,439)
Net earnings (loss) attributable to:		
Controlling interest	$ 491,297	$ (303,179)
Non-controlling interest	310,292	183,740
Net earnings (loss)	$ 801,589	$ (119,439)

See accompanying notes to condensed interim consolidated financial statements.

IRIS, LE GROUPE VISUEL (1990) INC.

Interim Consolidated Statements of Retained Earnings

Six-month periods ended June 30, 2017 and 2016
(Unaudited)

	2017	2016
Retained earnings, beginning of period	$ 13,538,445	$ 18,918,579
Net earnings (loss) attributable to controlling interest	491,297	(303,179)
Retained earnings, end of period	$ 14,029,742	$ 18,615,400

See accompanying notes to condensed interim consolidated financial statements.

IRIS, LE GROUPE VISUEL (1990) INC.

Interim Consolidated Statements of Cash Flows

Six-month periods ended June 30, 2017 and 2016
(Unaudited)

	2017	2016
Cash provided by (used in):		
Operating:		
Net earnings (loss)	$ 801,589	$ (119,439)
Items not involving cash:		
Depreciation and amortization	1,316,933	1,185,785
Gain on disposal of property and equipment	(48,830)	(45,825)
Loss (gain) on disposal of intangible assets	23,704	(253)
Income from investment measured using the equity method	(624,204)	(425,140)
Change in non-cash operating working capital:		
Trade and other receivables	(438,728)	(1,509,744)
Inventories	(431,556)	571,663
Prepaid expenses	(76,590)	(130,146)
Income taxes receivable	(1,206,116)	(841,504)
Accounts payable and accrued liabilities	(2,131,719)	2,187,351
	(2,815,517)	872,748
Financing:		
Advances from related parties	1,862,103	109,091
Capital lease payments	(1,315)	(1,405,473)
Long-term debt	7,028,046	7,394,137
Repayment of long-term debt	(1,583,329)	(1,383,830)
	7,305,505	4,713,925
Investing:		
Advances to related parties	496,320	(1,733,968)
Net variation of investments	273,638	(797,587)
Acquisition of property and equipment	(229,954)	(86,150)
Sale of property and equipment	106,580	45,825
Acquisition of intangible assets	(57,422)	(19,744)
Business combinations net of cash	(6,321,976)	(2,475,512)
	(5,732,814)	(5,067,136)
(Decrease) increase in cash and cash equivalents	(1,242,826)	519,537
Cash and cash equivalents, beginning of period	5,779,725	5,840,986
Cash and cash equivalents, end of period	$ 4,536,899	$ 6,360,523

See accompanying notes to condensed interim consolidated financial statements.

Iris, Le Groupe Visuel (1990) Inc. (the "Company") is incorporated under the Québec *Business Corporations Act*. It acts as a franchisor of optical stores and is involved in the retail sale of eyewear products and services. It also handles the management of a purchasing center for the stores and the members.

1. Basis of presentation:

These condensed interim consolidated financial statements were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and they do not include all the information required in the complete annual financial statements. Certain information and disclosures normally included in the annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2016.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual consolidated financial statements as at and for the year ended December 31, 2016.

(a) Use of estimates:

The preparation of these condensed interim consolidated financial statements, in accordance with ASPE, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amount of revenues and expenses during the current periods. However, actual information could differ from that determined based on these estimates and assumptions.

(b) Seasonality of interim operations:

Results of operations of interim periods are not necessarily indicative of the results of operations for the full year. Certain retail product offerings are subject to seasonal fluctuations due to consumer spending patterns.

The Company may also experience variations in its operating results as its revenues may be subject to a number of factors such as economic conditions and the number of new locations opened or closures of existing franchise or company-owned stores.

2. Business acquisitions:

During the six-month period ended June 30, 2017, the Company completed nine acquisitions, comprising 14 stores. All of the acquired businesses are involved in the retail sale of eyewear products and services. The acquisition-date value of consideration transferred was $8,168,553 made up of $6,321,976 in cash, a balance of sale payable of $1,792,388 bearing interest of 5% and payable over three years and an assumed debt of $54,169.

The purchase price allocation relating to these acquisitions resulted in the recognition of $3,490,535 in customer relationships, $629,300 in trade names, $112,096 in non-compete agreements and $2,719,518 in goodwill.

3. Revenues:

	2017	2016
Head office:		
Buying group	$ 1,786,968	$ 1,873,252
Administrative royalties	539,923	609,067
Accounting revenues	220,160	344,267
Management fees	136,456	139,500
Gestop rental revenues	100,817	123,323
Other revenues	1,286,083	729,966
	4,070,407	3,819,375
Retail	25,110,173	19,214,118
Supplies - Lunetterie Classic	161,385	344,735
	25,271,558	19,558,853
	$ 29,341,965	$ 23,378,228

4. Advances to related parties:

	June 30, 2017	December 31, 2016
Advances to equity accounted investments, without interest and with no specific terms of repayment	$ 5,229,553	$ 5,558,351
Advances to equity accounted investments, bearing 4.11% interest and with no specific terms of repayment	2,739,165	3,065,749
Advances to equity accounted investments, bearing 5% interest and with no specific terms of repayment	1,846,254	1,928,349
Advances to affiliates, without interest and with no specific terms of repayment	751,986	833,671
Advances to shareholders, without interest and with no specific terms of repayment	174,391	165,395
Advances to a not-for-profit company with common directors, bearing 5% interest and with no specific terms of repayment	865	3,930
Advances to franchises, without interest and with no specific terms of repayment	–	5,305
Advances to a company, without interest and with no specific terms of repayment	–	4,369
	10,742,214	11,565,119
Current portion	7,844,122	8,279,072
	$ 2,898,092	$ 3,286,047

5. Advances from related parties:

	June 30, 2017	December 31, 2016
Advances from equity accounted investments, without interest and with no specific terms of repayment	$ 2,100,965	$ 1,642,696
Advances from equity accounted investments, bearing 5% interest and with no specific terms of repayment	1,060,043	433,725
Advances from affiliates, without interest and with no specific terms of repayment	216,578	–
Advances from shareholders, without interest and with no specific terms of repayment	151,720	45,000
Advances from equity accounted investments, bearing 4.11% interest and with no specific terms of repayment	127,634	–
	$ 3,656,940	$ 2,121,421

6. Long-term debt:

	June 30, 2017	December 31, 2016
Term loan, variable interest of 3.81% as at June 30, 2017, secured by a first rank mortgage on all present and future assets, maturing in September 2019	$ 10,267,857	$ 11,089,286
Term loan on acquisitions, variable interest between 3.57% and 4.40% as at June 30, 2017, secured by a first rank mortgage on all present and future assets, maturing in September 2019	6,665,782	–
Balances of sales, with interest from 0% to 5%, repayable until 2020	5,062,589	3,514,946
Balance of sale to be paid in 2017	–	712,356
Term loan, 5.3%, secured by a mortgage on optic equipment, repayable in monthly instalments of $1,285, capital and interest, repaid in 2017	–	35,950
Term loan, preferential rate plus 1.75%, secured by a mortgage on the assets of the Company, repayable in monthly instalments of $1,042 plus interest, repaid in 2017	–	21,875
Other debts	179,185	170,904
	22,175,413	15,545,317
Current portion	5,355,780	4,091,154
	$ 16,819,633	$ 11,454,163

7. Subsequent events:

On July 4, 2017, Newlook Vision Group Inc. announced that it had entered into a definitive agreement to acquire all the issued and outstanding shares of the Company for a purchase price of approximately $120 million on a cash-free and debt-free basis. The transaction is expected to close during the month of October 2017.

8. IFRS reconciliation:

The consolidated financial statements are prepared in accordance with ASPE. The recognition and measurement requirements of ASPE differ from those of International Financial Reporting Standards ("IFRS"). The tables below quantify the material differences on the Company's net earnings and financial position between ASPE and IFRS, with descriptions thereto of such differences, for the unaudited six-month periods ended June 30, 2017 and June 30, 2016.

	2017	2016
Net earnings (loss) as previously reported under ASPE	$ 801,589	$ (119,439)
Adjustments:		
Change to income from investments measured using the equity method	77,970	74,852
Changes to income taxes:		
Current	405,039	182,896
Deferred	(96,006)	90,300
Net income reported under IFRS	$ 1,188,592	$ 228,609

	June 30, 2017 ASPE	Reconciliation to IFRS	June 30, 2017 IFRS
Shareholders' equity	$ 29,155,405	$ 1,436,407	$ 30,591,812
Income tax receivable	1,570,455	405,039	1,975,494
Deferred tax assets	–	1,945,457	1,945,457
Deferred tax liabilities	–	(992,059)	(992,059)
Investments measured using the equity method	5,438,232	77,970	5,536,202

8. IFRS reconciliation (continued):

ASPE allows the option to apply one of two methods in accounting for income taxes, either the taxes payable method or the future income taxes method. IFRS does not allow this accounting policy options, but rather income taxes must be accounted for under the deferred income taxes method. The Company applies the current taxes method under ASPE. Consequently, under IFRS, the Company must recognize deferred tax assets and liabilities, impacting both consolidated entities, and investments accounted for under the equity method. In accordance with IFRS, the Company recognized $1,945,457 of deferred tax assets and $878,431 of deferred tax liabilities for the six-month period ended June 30, 2017. The nature of the deferred tax assets and liabilities result mainly from timing differences relating to property and equipment, intangible assets and recognition of net operating losses.