New Look Eyewear Inc.
(formerly Benvest New Look Income Fund)

Annual Report

For the year ended December 25,

2010

lunetterie NEWLOOK eyewear

Celebrating 25 years of vision in 2010

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Annual General Meeting of Shareholders
May 5, 2011 at 10 a.m.
Le Centre Sheraton Montreal Hotel
1201 René-Lévesque blvd. West
Montreal, Québec

Chairman's Message

For the year ended December 25, 2010

CONVERSION OF THE FUND TO A CORPORATION

At the beginning of this year, the business was structured as a publicly traded income trust known as the Benvest New Look Income Fund (the ''Fund'') and listed on the TSX (BCI.UN). Effective March 2nd, 2010, the Fund was converted back to a conventional corporate structure, carrying on business as a publicly listed company under the name New Look Eyewear Inc. (TSX:BCI). Details of the conversion are set out in the information circular for security holders dated January 29th, 2010 (which can be viewed at www.sedar.com or www.newlook.ca).

This annual report covers the annual fiscal period ended December 25th, 2010.

OVERVIEW

Highlights for the year were as follows:

a) The Fund was successfully converted back into a conventional corporate structure with New Look Eyewear Inc. as both the operating and publicly listed entity.

b) Record revenues of $70.8 million were achieved in spite of a tough second quarter.

c) The Company's management team was able to successfully identify and remedy the difficulties encountered in the second quarter. Revenues, profitability and earnings for the quarter and the year were impacted by an unfavourable product mix and start-up problems in the laboratory with the implementation of the Company's second HD lens production line.

d) Management's success was evidenced by a very strong year-end performance with Q4 operating revenues, EBITDA(1) and net income up significantly over Q4 2009.

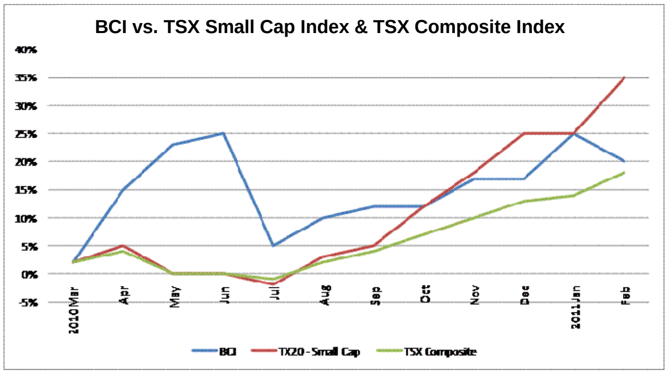
e) As a result of its sound basic financial and operating position, post conversion, the Company was able to announce and maintain a quarterly dividend policy of $0.15 per share ($0.60 per annum).

f) The above contributed, along with the turnaround in small cap shares in general in Canada, to a strong performance in the trading value of New Look Eyewear's common shares during the year.

Details of New Look's financial and operating results are set out in the President's Message and also in Management's Discussion and Analysis in this report.

TRADING PERFORMANCE

From January 1st through March 2nd, the Fund's units traded in the range of $5.75 to $6.30 and closed at $6.09 per unit prior to the conversion. Post conversion in the period up to December 25th, 2010, the Company's shares traded in the range of $6.00 to $8.29 per share and closed at $7.12. While overall market conditions are starting to improve, New Look's solid results allowed its securities to outperform the TSX Composite Index, and also compare favourably with the Small Cap Index (TX20).



CONVERSION OF THE FUND TO A CORPORATION

As mentioned in previous annual reports, the Federal government introduced legislation regarding income trusts, imposing new taxes and other restrictions. These provisions were scheduled to take effect in 2011. Also, for the past several years, New Look has been evaluating new opportunities for expanding its products and services through its retail network of optical stores.

As a result of these considerations, we initiated discussions with Sonomax Hearing Healthcare (''Sonomax'') of Montreal, a company involved in the hearing care industry. This resulted in a court supervised plan of arrangement and subsequent corporate reorganization involving the Fund, New look and Sonomax which came into effect March 2nd, 2010. This process successfully achieved two objectives, converting the Fund back into a conventional corporate structure while at the same time expanding New Look's menu of products and services.

Pursuant to this process:

a) Holders of the Fund's units (and exchangeable shares of its operating subsidiary) received common shares on a one-for-one basis of the new publicly listed entity, New Look Eyewear Inc. There was no unitholder or shareholder dilution as a result of the transactions.

b) New Look Eyewear Inc. holds the assets and business of the Fund and its operating subsidiary and continues its operations. The existing trustees, directors and management of the Fund and its operating subsidiary became the directors and management of New Look Eyewear Inc.

c) New Look Eyewear Inc. started making distributions to its shareholders in the form of quarterly dividends. The quarterly rate to-date has been $0.15 ($0.60 per annum) subject to ongoing operating results, optical market conditions in which the Company is operating and other factors normally associated with the declaration of dividends by a Canadian corporation. These dividends are eligible for dividend tax credits for individuals residing in Canada.

OUTLOOK

The conversion back to a conventional corporate structure has not changed the ongoing objective which is to continue to successfully build New Look's revenues and profitability. This will result, as achieved, in a growing enterprise value of the underlying business as well as sustainable dividends to the shareholders.

New Look, with its successful business model, is well positioned to continue to play a key role into the evolution of the eye care industry in Québec and in Canada through organic expansion, acquisitions as well as greater market penetration through its existing store network.

MANAGEMENT TEAM AND BOARD MEMBERS

Congratulations are in order for Martial Gagné and his senior management team at New Look Eyewear Inc., Jean-Luc Deschamps, Mario Pageau, France Reimnitz, Caroline Rouleau, Claire Boulanger and Marie-Josée Mercier. Also a special thanks to all New Look Eyewear Inc.'s many employees who contribute, each of them in their everyday work, to the continuing success of the company. Finally, a special thanks to members of the Board of Directors of New Look Eyewear Inc. for their continuing support, guidance and advice.

We are all confident that New Look Eyewear Inc. will continue its positive building process in 2011.

W. John Bennett
Chairman of the Board
New Look Eyewear Inc.
March 16th, 2011
Montreal, Québec

a) *EBITDA refers to consolidated earnings before interest income and expenses, income taxes, and amortization. It excludes any gain or loss on foreign currency translation (except if related to cost of goods sold), net gains or losses related to former portfolio investments, equity-based compensation, and the cost of conversion to a corporation. EBITDA does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other entities. New Look believes that EBITDA is a useful financial metric as it assists in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP. Refer to the Management's Discussion & Analysis section for more details.*

President's Message

For the year ended December 25, 2010

2010 OPERATIONS AND FINANCIAL RESULTS

We entered 2010 on a very positive note after record operating and financial results in the previous year. Our optimism was seriously challenged during the second quarter, however, when we hit certain ''pot holes'' on the way to building a better and more profitable business. These included unfavourable product mix issues as well as start-up problems in the laboratory with the implementation of the company's second HD lens production line. We quickly came to grips with these one-time issues and finished with a very strong year-end performance although the overall results for the year remained impacted by the second quarter.

In order to increase market share during the second half of the year, we focused on sales and marketing, including the reintroduction of the "2 for 1" promotion. The success of these efforts combined with our increased laboratory capacity had a very positive impact and generated record quarterly sales, EBITDA and net earnings in the last quarter of 2010. During the fourth quarter, revenues rose by 10.7% compared to the previous year and reached \$19.5 million. EBITDA was \$3.6 million for the quarter, an increase of 24% over 2009 and more than twice the EBITDA generated in the fourth quarter of 2008. We ended the year on a very positive note.

Total sales for the year increased by 2.6% and EBITDA reached \$10.3 million down \$0.7 million from 2009. Our 2010 net earnings of \$4.8 million are equivalent to our record 2009 net earnings of \$5.4 million (if we take into consideration the non-recurring charge of \$0.9 million related to the conversion of the Fund into a corporation). Cash flows from operating activities remained strong and the level of indebtedness did not materially change.

The agility of the management team and our sound financial position are key ingredients for New Look maintaining its profitability and leadership position in both the Québec and Eastern Ontario markets. We will continue to offer a selection of products at competitive prices and provide exceptional professional services that contribute to our customers' satisfaction and to our enviable reputation. These ingredients are integrated into our corporate values and are fundamental to the improvement of our revenues and financial performance.

EXPANSION OF STORE NETWORK / NEW MARKETS

New Look, with its unique business model, is well positioned to play a key role in the evolution of the optical industry in Québec and in Canada through organic geographic expansion, acquisitions of independent optical practices or existing optical or optometric chains and through greater market penetration within its existing store network. New Look is a leading provider of eye care products and services in Eastern Canada. As at the date of this report, its network consisted of 64 corporately owned eye care stores: 57 in the province of Québec and 7 situated in the Ottawa, Ontario region. We currently have commitments to open three new stores. Additionally, we will invest more time and energy in the optical e-commerce sector and will test the custom-fit earphones market.

The optical retail market in Canada is evolving and New Look is extremely well positioned to capitalize on all future opportunities that may arrive.

PRODUCT INNOVATION AND UNIQUE LABORATORY EXPERTISE

During 2010, we continued to develop and benefit from the previous years' major innovation in digital manufacturing of progressive lenses: the Evolution HD ™ and Ultra Evolution HD ™ lenses. The HD technology is one of the most significant industry developments in progressive lenses in recent years and offers New Look customers clearer lenses and improved vision. New Look has been one of the leaders worldwide in successfully adopting and marketing this new digital technology. This has been possible due to the fact that New Look has one of the most advanced eyewear laboratories in North America leading to its complete control over quality and customer service. The advantage of our laboratory, combined with the other strong elements of our value chain, confirm New Look's leadership position in Québec and Eastern Ontario.

NEW LOOK CELEBRATED ITS 25TH ANNIVERSARY IN 2010

New Look celebrated its 25th Anniversary in 2010. From the first store to the 64th opened recently, the employees have always contributed to the success of New Look. Some employees are still with us after 25 years and we celebrated with them this unique contribution. My special thanks to all these employees and all the employees of New Look for their loyal and sustained contribution.

Special thanks also go to our customers who continue to recognize the quality of our professional services and to optometrists in our stores who performed a record number of eye exams in 2010.

Finally, I would like to express my sincere thanks to my management team and the members of the Board of Directors for their valuable contribution.

Martial Gagné, CMA
President
New Look Eyewear Inc.
March 16th, 2011
Montreal, Québec

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New Look Eyewear Inc.
(formerly Benvest New Look Income Fund)

Management's Discussion and Analysis

For the year ended December 25,

2010

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Celebrating 25 years of vision in 2010

HIGHLIGHTS

On March 2, 2010, Benvest New Look Income Fund (the "Fund") was converted to a corporation named New Look Eyewear Inc. ("New Look" or the "Company"). For accounting purposes, New Look is the successor of the Fund. Highlights for the fourth quarter and the year ended December 25, 2010 compared to the corresponding periods of 2009 are as follows:

	Fourth Quarter		Year	
	2010	2009	2010	2009
Revenues	$19,514	$17,625	$70,778	$68,958
Variance	*10.7%*		*2.6%*	
Comparable stores variance	*10.9%*		*1.7%*	
EBITDA (a)	$3,645	$2,939	$10,259	$10,966
Variance	*24.0%*		*(6.4%)*	
% of revenues	*18.7%*	*16.7%*	*14.5%*	*15.6%*
Net earnings attributed to shareholders or unitholders(b)	$2,553	$1,556	$4,757	$5,417
Variance	*64.1%*		*(12.2%)*	
Net earnings per share or unit(b)				
Basic	$0.25	$0.16	$0.47	$0.55
Diluted	$0.25	$0.16	$0.47	$0.54
Cash flows from operating activities	$3,446	$2,713	$9,853	$11,951
Capital expenditures(c)	$1,004	$1,322	$5,075	$5,297
Issuance of shares or units	$15	$39	$138	$990
Increase (decrease) in net debt(d)	($1,004)	($607)	$229	($2,158)
Cash dividend per share or distribution per unit(e)	$0.150	$0.163	$0.462	$0.650
Distributions, dividends and related taxes(e)	$1,504	$1,531	$4,584	$6,026
At end of quarter				
Total assets (f)			$45,858	$37,697
Net debt (d)			$9,533	$9,304
Number of stores (g)			63	63

a) Refer to the section EBITDA below for a definition and comments on EBITDA.
b) Variances in net earnings and net earnings per share are explained in the section *Results of operations.*
c) Capital expenditures include amounts financed through debt assumptions and balances of purchase price. Refer to the section *Liquidity* for a reconciliation of capital expenditures affecting the cash flows and total capital expenditures.
d) Net debt refers to the long-term debt, including the short-term portion, and short-term bank indebtedness, net of cash.
e) The amounts of distributions and dividends shown in the table above refer to amounts declared in the period. In 2009, the amounts cover 12 months. In 2010, the amounts cover nine months since the policy of New Look is to declare quarterly dividends beginning with May 2010. The dividend covering the fourth quarter of 2010 were declared in March 2011.
f) The increase in total assets is mainly attributable to the addition of income tax assets related to the Sonomax transaction
g) One store was added and one was closed in 2010.

BACKGROUND

Management's discussion and analysis ("MD&A") relates to the financial condition, results of operations and cash flows of New Look and its predecessor, the Fund, together with those of the former subsidiary, also named New Look Eyewear Inc., and a variable interest entity ("VIE"). The non-controlling interest referred to in the financial statements represent the share of the VIE in earnings and assets.

In this MD&A, unless the context requires more precision, a reference to New Look includes a reference to the former subsidiary of the Fund and to the new entity resulting from the conversion of the Fund to a corporation.

This MD&A provides prospective data, comments and analysis wherever appropriate to assist readers in viewing the business from a 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 annual consolidated financial statements and related notes thereto.

Except where otherwise indicated, all financial information reflected herein is expressed in thousands of Canadian dollars and is determined on the basis of Canadian generally accepted accounting principles ("GAAP").

Amounts in tables are in thousands of dollars, except per share or unit amounts

Additional information relating to New Look and the Fund can be found on the website www.newlook.ca. The New Look and the Fund'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 issued by the Fund and New Look are also available directly through the SEDAR system at www.sedar.com.

DESCRIPTION OF ACTIVITIES

New Look is a leading provider of eye care products and services in Eastern Canada. As at December 25, 2010, its network consisted of 63 corporately owned eye care stores: 56 are located in the province of Québec and seven serve the Ottawa, Ontario region. New Look operates a complete eyewear transformation laboratory, which is located in Ville St-Laurent, Québec.

FOURTH QUARTER OF 2010

The consolidated earnings of the fourth quarter of 2010 compared with the fourth quarter of 2009 are as follows:

	2010 $	2009 $
Revenues	19,514	17,625
Cost of materials, direct labour, operating, selling and administration expenses	15,869	14,686
Earnings before the undernoted items	3,645	2,939
Amortization	1,150	885
Financial expenses, net of interest revenues (interest revenues net of financial expenses)	131	(9)
Equity-based compensation expense	16	27
	1,297	903
Earnings before the following items	2,348	2,036
Net gain (loss) on foreign currency translation	(9)	12
Recovery of expenses related to former portfolio investments		48
Earnings before income taxes	2,339	2,096
Income taxes	(197)	555
Net earnings and comprehensive income	2,536	1,541
Net earnings attributed to:		
Non-controlling interest	(17)	15
Shareholders	2,553	1,526
	2,536	1,541
Net earnings per share or unit		
Basic and diluted	0.25	0.16

The main elements of cash flows for the fourth quarter of 2010 compared with the fourth quarter of 2009 are as follows:

	2010 $	2009 $
Operating activities	3,485	3,023
Change in non-cash working capital items	(39)	(310)
Cash flows from operations	3,446	2,713
Investing		
Receipt of escrowed proceeds from the sale of a portfolio investment		942
Purchase of property, equipment and intangibles	(765)	(1,334)
Purchase of a practice	(120)	
Other	50	50
Financing		
Variation in bank indebtedness		280
Repayment of long-term debt	(1,030)	(92)
Distributions and dividends paid	(1,504)	(1,495)
Current taxes related to dividends paid		(248)
Repurchase of units		(176)
Other	15	169
Increase in cash	92	809

Revenues for the fourth quarter of 2010 increased by $1.9 million or 10.7% compared with the fourth quarter of 2009. Revenues from comparable stores for the quarter were up 10.9 % and EBITDA increased by $706,000 or 24% from the previous year. Finally, net earnings increased by $995,000 when compared to net earnings in 2009. Management believes that this performance was due to a number of factors, including the "2 for 1" promotion that prevailed in the fourth quarter.

The consolidated earnings and cash flows of the Company for the fourth quarter of 2010 reflect the following recordings:

- Charges totalling $464,000, including the write-off of fixed assets, related to the closing of a store.
- Year-end adjustments to the income tax expense which resulted in a negative charge of $197,000.
- The acquisition of a practice in Drummondville. Details are included in Note 8 to the financial statements.
- Investment in a store in Sorel opened in 2011.
- The relocation of a store in St-Georges, Québec.
- Other capital expenditures related to the continuous updating of equipment in stores and in laboratory.

2010 OVERVIEW

Conversion of the Fund to a corporation

The Fund was an unincorporated, open-ended limited trust established under the laws of the Province of Ontario by a declaration of trust dated March 15, 2005. The purpose of the Fund was to hold securities of the former New Look, a corporation involved in the eye care services industry in Canada. The Fund's units were traded on the Toronto Stock Exchange under the symbol BCI.UN.

The new entity New Look results from the conversion of the Fund to a corporation on March 2, 2010 pursuant to an arrangement governed by the *Canada Business Corporations Act*. The arrangement involved the Fund, its former subsidiary and Sonomax Hearing Healthcare Inc. ("Sonomax"). The arrangement was approved by the unitholders of the Fund and the holders of exchangeable shares of former New Look at a special meeting held on February 26, 2010 and it was subsequently sanctioned by the Québec Superior Court. As a result of the arrangement, the new entity New Look carries on the eye care business previously operated by the Fund's subsidiary and also distribution activities related to hearing protection and listening devices. New Look shares are traded on the TSX under the symbol BCI.

Rationale and benefits of the conversion

In 2007, the Federal government introduced legislation regarding "specified investment flow-through trusts", such as the Fund, imposing new taxes on their distributions and other restrictions. These provisions have taken effect in 2011. At the same time, the income tax rules allow for the conversion of a trust to a corporation to be effected on a tax-deferred basis if completed prior to 2013. The Fund reviewed various options and came to the conclusion that converting back to a corporate structure prior to 2011 was the best alternative following these new rules.

In addition, for the past several years, New Look had been examining various opportunities for expanding its products and services through its retail network of optical stores and has been monitoring industry trends in Canada and internationally in this regard. As a result of these considerations, management initiated discussions with Sonomax, a company based in Montreal, which wanted to sell a portion of its distribution business in order to continue to execute its previously announced strategy of becoming a product development and licensing company. On January 21, 2010, an arrangement agreement was signed with Sonomax to achieve the objective of converting back into a corporate structure while at the same time expanding New Look's products and services.

Key benefits for the Fund implementing the conversion included:

- Greater access to equity capital markets and widening of potential investor interest in New Look shares in light of the decreasing importance of the public business income trust market;
- Sonomax hearing healthcare assets and products are a complement to the current eyewear products and services sold through the New Look retail store network;
- The arrangement provided for an effective and efficient method to convert from an income trust to a corporation under existing legislation without adverse tax consequences to the Fund, the unitholders or the holders of former New Look exchangeable shares;
- The conversion has led to a simplified and more efficient capital structure, as a result of the elimination of the exchangeable shares of former New Look; and
- New Look has acquired future income tax assets.

Details of the conversion

The arrangement and subsequent operations resulted in the following:

- Each Fund unit and each exchangeable share of former New Look were exchanged for common shares of the new entity New Look on a one-for-one basis;
- The former trustees and management of the Fund (and former New Look) have become the directors and management of the new entity New Look;
- The new entity New Look holds the assets and business of former New Look and continues its operations; it also holds a license to distribute hearing protection and listening devices with related inventory and furniture;
- The investment in Sonomax represented $1,740,000 of which $1,566,000 was paid in cash, the balance of $174,000 being in the form of preferred shares redeemable over the next two years;
- The common shares of the new entity New Look are listed on the Toronto Stock Exchange under the symbol BCI. Following the conversion, there was no dilution in the number of shares from the number of units and exchangeable shares outstanding immediately prior to the conversion and no change in the respective interest of unitholders of the Fund and shareholders of former New Look;
- Options to purchase Fund units were replaced by options to purchase shares of the new entity New Look under the same conditions as those existing under the Fund option plan;
- For accounting purposes, the new entity New Look is considered the continuity of the Fund and accordingly, the carrying value of the Fund's assets and liabilities is the carrying value of the new entity New Look.

In conjunction with the reorganization, the Fund's policy to make monthly distributions was replaced by New Look's policy to make quarterly dividends. The initial quarterly rate was established at $0.15 ($0.60 per annum) subject to New Look's ongoing operating results, optical market conditions in which it is operating and other factors normally associated with the declaration of dividends by a corporation. These dividends will generally be eligible for dividend tax credits for individuals residing in Canada. In 2009, only approximately 36% of the Fund's distributions qualified for dividend tax treatment. A "stub" dividend covering the period from March 3, 2010 to March 27, 2010, in the amount of $0.05 per share, was paid on May 31, 2010 to shareholders of record on May 21, 2010. Dividends of $0.15 per share were also paid on August 31, 2010 and on November 30, 2010. On March 16, 2011, a dividend of $0.15 per common share was declared to shareholders of record on March 25, 2011, payable on March 31, 2011.

Details of the arrangement are set out in the Information Circular dated January 29, 2010 filed by the Fund through the SEDAR system at www.sedar.com. The circular is also available on New Look's website at www.newlook.ca.

Financial performance and investing and financing activities

Except for the second quarter, revenues and EBITDA (see definition below) improved in 2010 compared to 2009. The first quarter results were impacted by one-time costs of $853,000 related to the corporate conversion. The second quarter's modest results were caused by significant but well identified problems. In its commitment to re-establish profitability to historic level, management made key back to basics decisions, which had a positive impact in the third and fourth quarters. These two quarters have shown increases in revenues, EBITDA and net earnings compared to last year. Refer to the *Summary of Quarterly Results* section for more details

Amounts in tables are in thousands of dollars, except per share or unit amounts

The Company made capital expenditures of $5.1 million, which can be summarized as follows:

- Acquisition of Sonomax,
- Purchase of capital equipment, and
- Expansion and renovations of retail facilities.

The addition of a second HD production line was part of our continuous endeavour to adapt new technologies in our laboratory in order to improve quality and productivity, and other value-added products and services.

A store in Montreal was closed in order to assure the maintenance of our high standards of quality for our premises. In regard with this closing, charges amounting to $464,000, including write-off of assets, were recorded in the fourth quarter of 2010.

The investments were financed through cash generated by operating activities, long-term borrowings, debt assumptions and balances of purchase price. Overall financing activities, including the payment of distributions, dividends and related taxes totalling $5.2 million, resulted in an increase in net debt of only $229,000. Refer to the *Liquidity* section for more details.

RESULTS OF OPERATIONS

Revenues from eye care

Revenues from eye care for the year increased by 2.6% compared to last year, 1.7% being attributable to comparable stores, i.e. stores opened before 2009. The difference is due to the addition of three stores since the beginning of 2009.

The performance of the comparable stores was positively affected by an increase in the number of units sold. The fourth quarter contributed significantly to this result. Management believes that the continuous attractive promotions, such as the "2 for 1" promotion, have allowed this outcome.

Cost of sales

The cost of sales can be summarized as follows:

	2010 $	2009 $
Amounts included in cost of materials, direct labour, selling and administration expenses	32,878	30,775
% of revenues	*46.5%*	44.6%
Amounts included in amortization	931	917
	33,809	31,692

The main items of inventory used and reflected in the cost of sales are frames, lenses, and production supplies. Gains and losses on foreign exchanges related to goods sold are included in the cost of sales. The cost of sales also comprises operating expenses related to the laboratory and the distribution centre as well as the cost of professional services required for the purpose of producing lenses and adjusting the eyewear to the needs of customers. Amortization related to the assets used for these purposes is also allocated to cost of sales.

The ratio of cost of materials, direct labour and operating expenses to revenues increased by 1.9 point in 2010 compared to last year. This reflects higher costs of lens production suffered in the first two quarters of 2010 and higher costs of professional services required in the process of producing lenses and adjusting eyewear to the needs of customers. Higher costs of lens production were caused by the necessity of outsourcing production during the installation and fine tuning of a second HD production line, which was completed in the third quarter.

The variation of the amortization component of cost of sales reflects the addition of a store in 2010.

Other operating expenses

Other operating expenses include occupancy costs, selling and general expenses of stores as well as marketing and administration expenses, which also include occupancy costs; amortization is dealt with separately. The amounts involved are the following:

	2010 $	2009 $
Other operating expenses	27,641	27,217
% of revenues	*39.1%*	*39.5%*
Variance	*424*	

Although there was a general increase in salaries, marketing and occupancy costs, the ratio of the other operating expenses to revenues decreased by 0.4 point compared to last year.

EBITDA

New Look defines EBITDA as earnings before financial expenses, net of interest revenues, income taxes, and amortization. It also excludes any gain or loss on foreign currency translation (except if related to cost of sales), gains and losses related to former portfolio investments, equity-based compensation, and the cost of conversion to a corporation.

EBITDA is not a recognized measure under Canadian GAAP and may not be comparable to similar measures used by other entities. New Look believes that EBITDA is a useful financial metric as it assists in determining the ability to generate cash from operations.

Amounts in tables are in thousands of dollars, except per share or unit amounts

Investors should be cautioned that EBITDA should not be construed as an alternative to net earnings or cash flows as determined under GAAP. The reconciling items between net earnings and EBITDA are as follows:

	2010 $	2009 $
Net earnings	4,762	5,424
Amortization	3,950	3,270
Financial expenses, net of interest revenues	405	321
Equity-based compensation	88	146
Net loss (gain) on foreign exchange	(6)	212
Cost of conversion to a corporation	853	
Recovery of expenses related to former portfolio investments		(84)
Income taxes	207	1,677
EBITDA	10,259	10,966
Variance in $	*(707)*	
Variance in %	*(6.4%)*	
% of revenues	*14.5%*	*15.9%*

EBITDA for 2010 was negatively impacted compared to last year by the results of the second quarter. The three other quarters show an increase in EBITDA compared to last year. Refer to the section *Summary of Quarterly Results.*

Amortization

Amortization expense varied as follows:

	2010 $	2009 $
Amortization of property and equipment	3,205	2,864
Amortization of intangible assets	745	406
	3,950	3,270

The variation in amortization of property and equipment reflects the continuous addition of stores and renovations to existing stores as well as addition of equipment in the laboratory and in stores. It also includes a write-off of $164,000 related to the closing of a store.

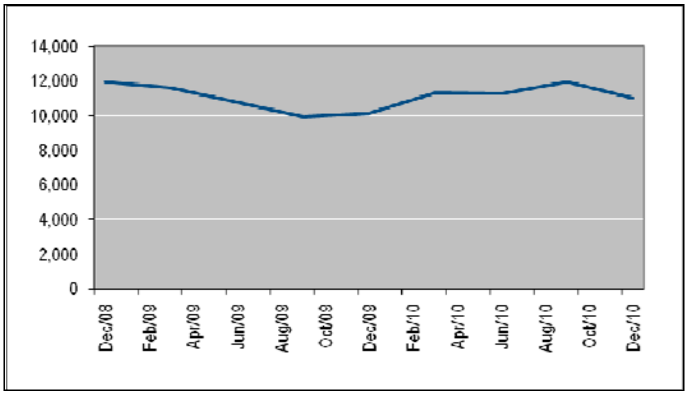
The increase in the amortization of intangible assets reflects, amongst others, the acquisition of distribution rights, in March 2010, with respect to hearing protection devices and listening devices. The carrying value of these rights, established at $1,019,000, is amortized over a 24-month period beginning in April 2010.

Financial expenses, net of interest revenues

The following table provides the main elements of financial expenses along with interest revenues for 2010 and 2009.

	2010 $	2009 $
Interest on long-term debt	338	289
Interest on bank indebtedness and other interest	12	76
	350	365
Financing fees	57	30
Interest revenues	(2)	(74)
	405	321

The following graph shows the total balances of long-term debt and short-term bank indebtedness since the beginning of 2009:



Interest on long-term debt increased in 2010 compared to last year following borrowings of $3.7 million in 2010. These borrowings were aimed at financing capital expenditures which totalled $5,090,000 in 2010.

Interest charges decreased in 2010 compared to last year as certain debts with interest rates approximating 9% were repaid while new borrowings bore interest at a lower rate.

As of December 25, 2010, 91% of the interest-bearing debt bore interest at an average floating rate of 3.3%.

Financing fees relate mainly to standby fees and accrued fees for the revision of the credit facilities. Interest revenues were not significant since cash generated by the operations was mostly invested in capital expenditures, distributed, or used to repay debt.

Amounts in tables are in thousands of dollars, except per share or unit amounts

Gain and loss on foreign currency translation

Gains and losses on foreign currency translation are due to the fluctuation of the US dollar and the euro vis-à-vis the Canadian dollar on assets and liabilities denominated in these currencies and on foreign exchange contracts. The main elements of these assets and liabilities on December 25, 2010 were as follows:

Cash	USD 40
Accounts payable	USD 470
Forward exchange contracts in US $ (liabilities)	CAD 38

Gains and losses related to costs of goods sold are reflected in the cost of sales; the net loss amounted to $69,000 in 2010. Other gains or losses are shown separately on the statement of earnings; in 2010, they represented a net gain of $6,000, mainly composed of the variation in the unrealized value of exchange contracts.

Management has established a policy aimed at covering approximately 50% of the purchases in US dollars forecast for the next 12 months through the use of foreign exchange contracts. As of December 25, 2010, foreign exchange contracts to purchase US $1,050,000 at an average rate of 1.046 were outstanding, while the spot rate was 1.006. As hedge accounting is not utilized, changes in fair value of exchange contracts are recognized in earnings.

Costs of conversion to a corporation

The costs of conversion of the Fund to a corporation relates mainly to legal fees for the preparation of the lengthy and complex documentation concerning the plan of arrangement and the various reorganization steps. They also include fees from the Toronto Stock Exchange, accounting fees, printing costs, and liability insurance covering former acts related to the Fund. The costs amounted to $853,000 in 2010.

Income taxes

The income tax expense relates essentially to former New Look and, since the conversion to a corporation in March 2010, the new entity New Look. The Fund was a mutual fund trust as defined under the Income Tax Act (Canada) and as a result, was not subject to taxation on its income to the extent that it was distributed to unitholders. Since all of its income had been distributed, the Fund has had no taxable income since its inception in 2005 up to its conversion to a corporation on March 2, 2010.

The effective tax rate applicable to the new entity New Look is approximately 3% after amortization of the deferred credit described in Note 8 to the financial statements for 2010. This deferred credit arose from the transaction with Sonomax in March 2010 which resulted in acquiring future income tax assets related to the equivalent of $30 million in tax losses. The income tax expense of $207,000 in 2010 includes the write-off of future income tax assets accumulated before the conversion of the Fund into a corporation and which have become null following the conversion.

Net earnings

Net earnings for 2010 compared to 2009 are summarized as follows:

	2010 $	2009 $
Net earnings attributed to shareholders or unitholders	4,757	5,417
Variance in $	*(660)*	
Variance in %	*(12%)*	
% of revenues	*6.7%*	
Net earnings per share or unit		
Basic	0.47	0.55
Diluted	0.47	0.54

Net earnings for 2010 took into account the following non-recurring expenses:

- Cost of conversion to a corporation of $853,000;
- Total charges of $464,000 related to the closing of a store in the fourth quarter; and
- Write-off of future income tax assets of $196,000 following the corporate conversion.

On the other hand, the Company benefited from a reduction in the income tax expenses due to the amortization of the deferred credit.

For more certainty, it is reminded that the conversion to a corporation has not caused any dilution of capital, since previous Fund units and exchangeable shares of former New Look have been exchanged for common shares of the new entity on a one-for-one basis.

Amounts in tables are in thousands of dollars, except per share or unit amounts

SUMMARY OF QUARTERLY RESULTS

The following table summarizes unaudited quarterly results for the year ended December 25, 2010, compared with the corresponding quarters of 2009.

	March		June		September		December		4 Quarters	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenues from eye care	17,312	16,743	17,383	18,144	16,569	16,466	19,514	17,625	70,778	68,978
As a % of annual revenues from eye care	*24%*	*24%*	*25%*	*26%*	*23%*	*24%*	*28%*	*26%*	*100%*	100%
EBITDA	2,524	2,502	1,848	3,337	2,242	2,188	3,645	2,939	10,259	10,966
As a % of revenues from eye care	*14.6%*	*14.9%*	*10.6%*	*18.4%*	*13.5%*	*13.3%*	*18.7%*	*16.7%*	*14.5%*	*15.9%*
Gain (loss) on foreign exchange	(7)	27	22	(136)		(115)	(9)	12	6	(212)
Cost of conversion to a corporation	757		96						853	
Net earnings attributed to shareholders or unitholders	678	1,305	454	1,732	1,072	824	2,553	1,556	4,757	5,417
Net earnings per share or unit(a)										
Basic	0.07	0.13	0.05	0.17	0.11	0.08	0.23	0.16	0.46	0.54
Diluted	0.07	0.13	0.05	0.17	0.11	0.08	0.23	0.16	0.46	0.54
Dividend per share or distribution per unit (b)	0.112	0.163	0.050	0.163	0.150	0.163	0.150	0.163	0.462	0.652

a) Net earnings per share or unit for 12 months may not correspond to the total of quarterly net earnings per share or unit, as a distinct calculation is made for each quarter or 12-month period.

b) The distributions declared in the first quarter of 2010 covered the period from January 1 to March 2, 2010, i.e. the date of conversion to a corporation. A dividend of $0.05 per share covering the period beginning from March 3 to March 27, 2010 was paid on May 31, 2010. Two other dividends of $0.15 each were paid to cover the period up to September 2010. A dividend of $0.15 per share was declared on March 16, 2011 payable on March 31, 2011.

This table shows that, except for the second quarter, revenues and EBITDA increased each quarter of 2010 compared with the corresponding quarter of 2009. Net earnings significantly improved in the third and fourth quarters compared to last year.

Amounts in tables are in thousands of dollars, except per share or unit amounts

LIQUIDITY

The following table shows the main elements of the statements of cash flows for the years 2010 and 2009:

	2010 $	2009 $
Operating activities	8,944	10,453
Change in non-cash working capital items	909	1,498
Cash flows from operations	9,853	11,951
Investing		
Receipt of escrowed proceeds from the sale of a portfolio investment		942
Reimbursement of advances	50	50
Purchase of property, equipment and intangibles	(3,096)	(3,995)
Business transactions	(1,686)	(200)
Payment of balances of purchase price	(237)	
Financing		
Variation in bank indebtedness	(1,660)	(2,374)
Long-term borrowings	3,705	1,000
Repayment of long-term debt	(1,251)	(1,152)
Lease inducements	90	284
Issuance of units	138	990
Distributions and dividends paid	(5,064)	(5,893)
Current taxes related to dividends paid	(185)	(990)
Increase in cash	657	361
Cash at beginning of period	839	478
Cash at end of period	1,496	839

Cash flows from operations

Operating activities before changes in non-cash working capital items generated $8,944,000 in 2010 compared to $10,453,000 in 2009. The decrease essentially reflects the variance in EBITDA and additional cost related to the corporate conversion.

Cash of $909,000 was also generated in 2010 by the variation of the following working capital items:

	2010 $	2009 $
Decrease (increase) in receivables	(40)	132
Receipt of R&D tax credits	146	76
Decrease in inventory	66	1,017
Decrease (increase) of prepaid expenses	(94)	191
Increase in accounts payable and accrued liabilities	901	122
Decrease in income taxes payable	(70)	(40)
Increase in cash	909	1,498

Although the number of stores was the same at the end of 2010 and 2009, inventories in stores and the distribution center decreased by $597,000, as the result of continuous initiatives regarding the management of inventory. Work-in-progress increased by approximately the same amount due to increase in sales orders in last December.

The increase in accounts payable and accrued liabilities, in the amount of $901,000 is essentially due to an increase in customers' deposit related to orders in progress and cash received on behalf of a third party. The receipt of R&D tax credits also impacted favourably the cash position.

Investing activities

Investments in property, equipment, business acquisitions and intangible assets totalled $5,090,000 in 2010 compared with $5,297,000 in 2009. The 2010 investments relate to the following additions:

- Acquisition of Sonomax,
- Purchase of capital equipment, and
- Expansion and renovations of retail facilities.

It is reminded that the reorganization with Sonomax not only resulted in the Fund being converted to a corporation but it also involved the acquisition of a license to distribute hearing protection and listening devices along with inventory, furniture, and future income tax assets. The investment of $1,740,000 was paid in cash except for $174,000 which took the form of preferred shares redeemable over two years subject to an escrow agreement to assure the respect of certain guarantees.

The following table reconciles the investments in long-term assets and their financing:

	2010 $	2009 $
Purchase of property and equipment	2,980	3,581
Sonomax transaction, net of deferred credit	1,740	
Assets acquired through business acquisitions, net of cash	239	1,281
Purchase of intangibles	116	435
	5,075	5,297
Debt assumptions		269
Balances of purchase price	279	654
Future income tax liabilities	14	179
Paid, as per cash flow statement	4,782	4,195
Total capital expenditures	5,075	5,297

Amounts in tables are in thousands of dollars, except per share or unit amounts

Financing activities

In 2010, the bank agreed to postpone to May 30, 2012 the term of the revolving credit facility, known as "Evergreen". No payment of capital on advances received under the Evergreen credit facility will be required until that date.

During 2010, new borrowings under the "Evergreen" credit totalled $3,705,000. A portion of $1,566,000 was used in relation with the acquisition of Sonomax and the balance covered other capital expenditures made in the year.

Repayment of long-term debt in 2010, totalling $1,251,000, included an amount of $1 million on the Evergreen credit. Other repayments on the long-term debt were made as scheduled.

The Company reduced its short-term bank indebtedness by $1,660,000 to bring it to nil at the end of 2010. Previous use of the short-term bank indebtedness was essentially caused by capital expenditures.

The total amount of distributions and dividends paid in 2010 decreased compared to 2009 due to the conversion from an income trust to a corporation in March 2010. The 2009 figure covered 12 monthly payments. Refer to the section Distributions and Dividends for other details.

Most new leases provide for the payment of inducements by the landlords to New Look. These inducements represented a source of cash of $90,000 in 2010.

Issuance of units to directors and executives who exercised options under the option plan represented cash receipts of $138,000 in 2010.

Increase in long-term debt also included amounts not received in cash, such as the balance payable in the amount of $174,000 related to the reorganization with Sonomax. Although this balance is in the form of preferred shares, it is treated as a debt for accounting purposes, since it is provided that the amount is retractable over the next two years.

Tax related to dividends on exchangeable shares

Dividends on exchangeable shares were subject to a special 50% tax under Part VI.1 of the Income Tax Act (Canada). This tax is sometimes described as an "advance corporation tax" as it causes to a large extent a reduction of the corporate income tax, whether current or future. In 2010, the current portion of the tax not offset by a corresponding reduction in current income tax expense was established at $185,000. This amount increased future income tax assets as it is expected it will reduce future income tax, except for an amount of $16,000 which will not be recovered and consequently is recorded as an addition to the deficit. Part VI.1 tax does not apply to dividends on common shares; hence, no such tax accrued since the reorganization of March 2, 2010.

Capital commitments

The overall capital expenditures currently committed by the Board amount to over $4.7 million. The major investments relate to the commitment of New Look to open three stores, make major renovations to four stores, add equipment in the laboratory and add optical equipment in stores. Updating of IT equipment and improvements to the visual aspect of stores are also part of the projected investments. Investments will be financed by cash flows from operations and, if needed, by borrowings under the Evergreen credit.

Contractual obligations

The contractual obligations of the Company are summarized in the following table:

	Payments due						
Contractual obligations	Total	2011	2012	2013	2014	2015	Thereafter
Long-term debt (a)	11,029	503	1,842	2,633	2,509	2,500	1,042
Operating leases	46,403	8,799	8,126	7,265	6,497	5,514	10,202
Purchase obligations (b)	314	314					
Total	57,746	9,616	9,968	9,898	9,006	8,014	11,244

(a) Long-term debt includes advances of $10,000,000 under the "Evergreen credit". Although management expects that the Evergreen credit will be renewed annually, the above table assumes a reimbursement of this debt in 48 equal monthly instalments beginning in June 2012.
(b) Purchase obligations related to equipment and property only.

Credit facilities

The credit facilities with the bank were renewed in July 2010.

The main change is the postponement of the term of the Evergreen revolving credit to May 30, 2012. Furthermore, 90 days after each year-end, New Look will have the option to extend the revolving term, subject to the bank's approval, for an additional term of 12 months so as to maintain a revolving term of 24 months. Hence, all advances made under the Evergreen credit totalling $10 million as of December 25, 2010 will not be repayable until May 30, 2012, and their repayment could be postponed again.

The amount of the Evergreen credit has been maintained at $12 million and the operating line of credit to finance day-to-day operations was reduced, at the request of New Look, from $4 million to $2.5 million. A credit for a maximum net risk of $900,000 (formerly $720,000) is also available to use treasury product derivatives such as interest rate swaps.

Advances on the operating line of credit bears interest at prime rate plus a premium varying from 0.5% to 1.0% (previously from 0.5% to 1.5%) depending on the ratio of interest-bearing debt to EBITDA. The floating-rate advances under the Evergreen credit bear interest at prime rate plus a premium varying from 0.75% to 1.25% (previously 0.5% to 1.25%).

Amounts in tables are in thousands of dollars, except per share or unit amounts

New Look may still use its credit facilities through bankers' acceptances. The revised stamping fees on advances on the operating line of credit vary from 1.75% to 2.25% (previously 1.5% to 2.25%) depending on the ratio of interest-bearing debt to EBITDA. They vary from 2.0% to 2.5% (previously 1.5% to 2.5%) on advances on the Evergreen credit.

As of December 25, 2010, the balance of advances under the operating line of credit was nil. As of the same date, advances under the Evergreen credit were financed through bankers' acceptances. The average effective interest rate of advances was then 3.3%.

Conditions imposed on New Look include the respect of certain ratios such as a debt service coverage ratio which measures the capacity of the Company to pay the debt service and occupancy expenses. Formerly this ratio was used to measure the capacity of the Company to pay its debt service. New Look respects this newly defined ratio and other ratios required by the bank.

As of December 25, 2010, the credit facilities used and available were as follows:

	$
Credit used	
Amounts drawn on the operating line of credit	Nil
Amounts drawn on the Evergreen credit to finance long-term assets	10,000
Credit available	4,500
Total credit facilities	14,500

Moreover, New Look had $1,496,000 in cash as of December 25, 2010. At that date, the Company was in compliance with all covenants governing credit facilities.

Distributable cash

The Fund used to calculate and present its distributable cash based on recommendations contained in a guidance of the Canadian Institute of Chartered Accountants named *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities.* Management considers that in light of the conversion of the Fund to a corporation, it is no longer appropriate to report such distributable cash.

Capacity to meet obligations

Management determines the capacity of New Look to meet its obligations by an analysis of past and forecast cash flows, bank line of credit covenant ratios and other ratios. The following shows a summary of important guidelines used by management and the resulting performance:

	Guidelines	Dec 25, 2010 $	Dec 31, 2009 $
Non-cash working capital [a]	Minimum of 0.9	1.04	1.08
Interest-bearing debt [b] to total capitalization[c]	Maximum of 0.5	0.36	0.36
		Four quarters ended Dec. 25, 2010 $	Four quarters ended Dec. 31, 2009 $
Interest-bearing debt / EBITDA	Maximum of 2.0	0.9	0.8
Debt service and rent coverage[d]	Minimum of 1.1	1.5	1.3

a) Management has revised the guideline regarding the non-cash working capital ratio from 1.0 to 0.9. Management believes that this revised ratio is more suitable as the Company benefits from customers' deposits. The non-cash working capital ratio is equal to: current assets except cash / current liabilities except bank indebtedness and instalments on long-term debt payable within one year.

b) Interest-bearing debt corresponds to the total of long-term debt, including the short-term portion, and bank indebtedness in excess of cash.

c) Total capitalization corresponds to the total of equity, long-term debt, including the short-term portion, and bank indebtedness in excess of cash.

d) The debt service and rent coverage ratio is equal to: EBITDAR less dividends, distributions, redeemed shares or units and paid taxes / short-term portion of long-term debt, financial expenses and rent. EBITDAR is defined as EBITDA plus rent.

All ratios are within the guidelines established by management and approved by the Board of Directors and all ratios required by the bank were respected.

Furthermore, New Look constantly maintains and updates both its stores and production facilities in order to preserve and enhance the cash flows from operations. Out of the 63 stores at December 25, 2010, 62 were renovated or constructed over the last six years.

Cash flows from operations and the credit facilities are expected to be sufficient to meet operating requirements, maintenance capital expenditures, expansion capital expenditures, reimbursement of long-term debts, as well as declared dividends.

Amounts in tables are in thousands of dollars, except per share or unit amounts

DISTRIBUTIONS AND DIVIDENDS

Distributions declared by the Fund in 2010 were as follows:

Date of record	Date of payment	Eligible dividend	Other income	Total
Jan 31, 2010	Feb 19, 2010	0.0188	0.0354	0.0542
Feb 28, 2010	Mar 19, 2010	0.0447	0.0131	0.0578

On March 19, 2010, the Fund made a final distribution to unitholders of record on February 28, 2010 on a pro rata basis for the number of days in the period from February 1 to March 2, 2010 calculated on a yearly basis of $0.65 per unit. A corresponding dividend was also paid on the exchangeable shares of New Look.

Following its conversion to a corporation, New Look has established a policy of paying quarterly dividends. Dividends paid in 2010 on the Class A common shares, which have replaced the Fund units and the exchangeable shares, were as follows:

Date of Record	Date of Payment	Eligible Dividend	Total
May 21, 2010	May 31, 2010	0.05	0.05
August 21, 2010	August 31, 2010	0.15	0.15
November 21, 2010	November 30, 2010	0.15	0.15

The first dividend was paid on May 31, 2010 to shareholders of record on May 21, 2010 for the stub period from March 3 to March 27, 2010. The dividend was $0.05 per share, i.e. 1/12 of an annual amount of $0.60. On March 16, 2011, the Board of Directors declared a dividend of $0.15 per Class A common share to shareholders of record on March 25, 2011 and payable on March 31, 2010.

Individuals residing in Canada benefit from dividend tax credit on the whole amount of the dividend received while the dividend content of the former distribution approximated 36%. Expressed otherwise, the net receipt of a dividend of $0.60 will often exceed the net receipt of a former distribution of $0.65.

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. There is no guarantee that a dividend will be declared in the future.

CRITICAL ACCOUNTING POLICIES

Adoption of new accounting standards

Business combinations and consolidated financial statements

New Look has early adopted, beginning with the 2010 fiscal year, the new standard related to business combinations which has become compulsory in 2011 with the adoption of the international financial reporting standards ("IFRS") and which applies retrospectively to 2010. Management has determined that the main impact of this new standard is the expensing of acquisition costs in the periods they are incurred instead of being capitalized as part of the cost of the acquisition.

In conjunction with the early adoption of this new standard, New Look also had to early adopt the new section in consolidated financial statements. For this reason, the non-controlling interest on the balance sheet has been reclassified from the liabilities to the equity and the statement of earnings now shows an attribution of net earnings between the shareholders and non-controlling interest rather than deducting the non-controlling interest to arrive to net earnings.

New accounting periods

The new entity New Look has adopted the accounting periods already in use by former New Look, i.e. the last Saturday of March, June, September and December. Hence the 2010 fiscal year ended December 25, 2010. Although the Fund used calendar-based periods, the comparative figures in the statement of earnings and the related notes actually reflect the activities of former New Look, which were reported on the basis of its accounting periods.

Changeover to International Financial Reporting Standards (IFRS) in 2011

The Accounting Standards Board has adopted IFRS as GAAP for publicly accountable enterprises. Adoption is required for fiscal years beginning on or after January 1, 2011. Transitional rules provide that when the end of an entity's annual reporting period does not coincide with the end of a calendar year, the mandatory date for first-time adoption of IFRS is the beginning of the annual period that commences on or after December 21, 2010. As the fiscal year of New Look ends December 25, 2010, management has concluded that IFRS apply to New Look as of December 26, 2010. Since the comparative figures have to be presented under IFRS, the transition date to IFRS is in fact, in the case of New Look, January 1, 2010. The changeover plan, commenced in 2007, includes the following:

- Designation of a person specifically trained on IFRS who reports to the chief financial officer;
- Identification of key areas that may be impacted by the transition to IFRS;
- Impact analysis, i.e. specification of changes required to existing accounting policies, information systems and internal controls;
- Implementation of changes to accounting policies, information systems and internal controls, where necessary;
- Regular reporting to the Audit Committee;
- Preparation of simulated IFRS financial statements in order to identify detailed requirements of the new standards.

Areas identified as requiring attention include the following:

- *Deferred credit*. A deferred credit was recorded in 2010 in accordance with recommendations contained in the abstract EIC-110, *Accounting for acquired future tax benefits in certain purchase transactions that are not business combinations*, of the Emerging Issues Committee of the Canadian Institute of Chartered Accountants. Management has determined that the deferred credit does not meet the definition of a liability under IFRS and accordingly, the Company will retrospectively remove it from the balance sheet. As IFRS are continuously evolving, Management will continue to evaluate the quantitative and qualitative analysis of IFRS with regards to the deferred credit and will determine the appropriate treatment upon the first-time adoption of IFRS.

- *Non-controlling interest.* The new IFRS requirements regarding non-controlling interest have in fact been early adopted in 2010. See *Adoption of new Policies* above.

- *Revaluation of property and equipment*. IFRS permit the revaluation of such assets to fair value. Management does not intend to adopt a policy of revaluating its assets to fair value, as these assets are mainly composed of leasehold improvements and equipment whose value declines with use and time.

- *Amortization of components of fixed assets*. IFRS require amortizing fixed assets based on the useful life of its main components. Management sees no difficulty in applying this principle.

- *Impairment test for goodwill and intangible assets of indefinite life.* For the purpose of the impairment test for goodwill and intangible assets of indefinite life under current Canadian GAAP, management considers all stores as a single reporting unit as all stores have similar economic characteristics. IFRS require impairment tests of goodwill and intangible assets of indefinite life for each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the related business combination. Although the two approaches may produce different results, management does not expect any impairment loss on goodwill and intangible assets of indefinite life.

- *Borrowing costs.* Borrowing costs are currently recorded as an expense in the period in which they accrue. Under IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall form part of the cost of that asset; they cannot be expensed. A qualifying asset is an asset that necessarily takes a "substantial period of time" to get ready for its intended use or sale. Any of the following assets may be a qualifying asset: inventories, manufacturing plants, intangible assets, investment properties. As the time of construction of a new store is generally six weeks and the time of producing lenses is less than a week, management has taken the position that these periods are not substantial periods of time. Accordingly, management will not capitalize related borrowing costs.

- *Segmented information.* The current management's position under current Canadian GAAP to consider all the activities of New Look as one reportable segment is maintained for the purposes of IFRS.

- *Opening balance sheet as of January 1, 2010.* At this time, management expects no changes to the figures on the opening balance sheet as of January 1, 2010 that will have to be presented under IFRS as comparative data in the financial statements for 2011.

- *Format of the balance sheet.* The statement of financial position (balance sheet) under IFRS usually presents non-current assets before the current assets, non-current liabilities before the current liabilities, and equity before the liabilities. An entity may choose a different presentation. Management intends to continue presenting the assets, the liabilities and the equity in the order currently in use in North America.

- *Statement of cash flows.* Interest expenses are currently presented as a reduction of cash flows from operating activities and distributions and dividends are presented as financing activities. IFRS require each of such cash flows to be classified in a consistent manner from period to period either as operating or financing activities. Management intends to present interest, distributions and dividends paid as financing activities.

- *New statement of changes in equity.* IFRS require the presentation of a statement of changes in equity. In fact, this new statement will only replace the statement of deficit and the notes regarding the variation of the carrying values of units, exchangeable shares and contributed surplus.

- *Statement of comprehensive income.* IFRS require presenting an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function, whichever provides information that is reliable and more relevant. At this time, management is inclined to use what IFRS call the "function of expense" or "cost of sales" method, i.e. a classification according to the function of expenses as part of cost of sales or, for example, the costs of administrative activities. IFRS also require an entity classifying expenses by function to disclose additional information on the nature of expenses, including amortization and employee benefits expense. Management foresees no difficulty in complying with these requirements.

- *Leases.* Most leases to which New Look is a party (as lessee) are operating leases under current Canadian GAAP. New Look is also a lessee under some capital leases (which are recorded as assets and liabilities) which expired in 2010. Under IFRS, leases will be classified as either operating leases or finance leases. At this time, management has concluded that the typical leases for the stores, the laboratory and administrative premises will continue to be treated as operating leases, whose presentation will be very similar to the current presentation.

- *Provisions for liabilities.* IFRS is viewed as having a lower threshold than current Canadian GAAP to recognize a provision as a liability. Management has concluded that this lower threshold will not have a significant impact on the current practice of determining the amounts of provisions.

- *Share-based payments.* This topic includes compensation in the form of options granted to employees as New Look does. In accounting for the fair value of such options vesting at different dates, IFRS require to deal with each "instalment" as a separate transaction and value it independently. Under current Canadian GAAP, an entity can elect to pool such options and determine the fair value using the average life of the options. Management has concluded that such a change does not have a significant impact on the statement of earnings and the balance sheet.

- *Earnings per share.* Management has concluded that the calculation of earnings per share, basic and diluted, will be the same under IFRS as under current Canadian GAAP.

- *Exemptions from full retrospective application of IFRS*. For practical reasons, management has elected the following optional exemptions from full retrospective application:
    - Business combinations completed prior to January 1, 2010 will not be revaluated;
    - Share-based payments (i.e. options granted in the case of the Fund) vested prior to January 1, 2010 will not be revaluated.

Except for the treatment of the deferred credit discussed above, management does not expect any significant changes to the balance sheet or to the calculation of net earnings. Cash flows from operations will generally show a higher amount due to the reclassification of interest expense to the financing activities.

Other accounting policies

Revenue recognition

Revenue from eye care is recognized at the time of delivery of eyewear to the customer. Any down payment required from the customer when an order is accepted is recorded as a liability until the delivery of the eyewear.

Operating leases

Total rents payable under operating leases are charged to expense on a straight-line basis over the term of the leases. Lease term covers the period from the date the premise is delivered to New Look until the end of the lease.

Critical estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates. These estimates are established on the basis of previous years and management's best judgment. 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 Fund.

Fixed assets

In order to allocate the cost of fixed assets over their useful lives, estimates of the duration of their useful lives must be carried out. Amortization of fixed assets is based on such estimates.

Intangible assets

When acquiring a business, management endeavours to allocate the purchase price to underlying assets as required by the CICA Handbook. With this respect, management has identified intangible assets such as value of below-market leases, customer relationships and contractual agreements. These assets are amortized over the estimated period of benefit.

Research and development and related tax credits

New Look continuously researches ways of improving production such as reducing breakages of glasses, reducing time production and adaptation of new technologies to the needs of our laboratory. Although long-term benefits arise from these activities, costs related to research and development are charged to expense. Income tax credits related to research and development are treated as a reduction of the laboratory expenses, not as a reduction of the income tax expense.

Equity-based compensation

Equity-based compensation, such as options granted to employees, is recognized as an expense even if no cash disbursement is required. Compensation is 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, risk-free interest rate and expected dividends. Except for the risk-free interest rate, the determination of these factors requires estimates and judgment. The expense of equity-based compensation is recognized over the vesting period with a corresponding credit to contributed surplus. Balances in the contributed surplus are transferred to the carrying value of New Look shares when the options are exercised.

Tradename

The tradename is recorded at cost and is not amortized, rather it is tested for impairment annually, or more frequently if events or changes in circumstances dictate that the asset value is impaired. The impairment test consists of a comparison of the fair value of the tradename with its carrying amount. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

Goodwill

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is not amortized; it is tested for impairment annually, or more frequently if events or circumstances dictate that the asset is impaired.

Income taxes and taxes on dividends

The Company recognizes as a future income tax asset the value of tax losses and unused tax credits. It also takes into account in the determination of such asset the value of future deduction when the carrying value of an asset is lower than its tax value. A future income tax liability is recorded when the tax value of an asset is lower than its carrying value.

New Look charges directly to deficit any amount of taxes on dividends which cannot be used to reduce income taxes, either currently or in the future. Dividends on former exchangeable shares were subject to such a tax.

OUTSTANDING SHARES AND OPTIONS

As of December 25, 2010, New Look had 10,026,732 Class A common shares outstanding. These are the only shares giving rise to dividends and to vote at any shareholders' meeting. These shares have been issued in exchange of the Fund units and the exchangeable shares of former New Look on a one-for-one basis.

As of December 25, 2010, New Look also had 174,000 Class A preferred shares issued and outstanding. These shares were issued pursuant to the arrangement completed on March 2, 2010. They are redeemable and retractable at $1 each over the next 24 months. Their holders have no right to dividend and no right to vote. For accounting purposes, the preferred shares are treated as a liability. One third of the shares were retractable in September 2010; the redemption has been postponed until the fulfilment of certain conditions.

On March 2, 2010, each Fund option was exchanged for an option to purchase one share of New Look. The exercise price of each option is equal to the market value of the share or former unit on grant date. All outstanding options will expire five years after the grant date. The maximum number of units issuable upon the exercise of options at any given time is 10% of shares outstanding. In 2010, 38,000 options to purchase units or shares were exercised for an average price of $3.64, 132,000 options at an exercise price of $7.40 were granted and 50,000 options were cancelled following the departure of an officer. As of December 25, 2010 there were 647,467 options outstanding for an average exercise price of $6.87.

Amounts in tables are in thousands of dollars, except per share or unit amounts

Normal course issuer bid

The normal course issuer bid implemented in April 2009 expired April 30, 2010. This plan allowed the Fund and, after the conversion, New Look to repurchase its units or shares. The Company did not renew this plan, as there has been no repurchase of units or shares over the first four months of 2010.

Changes in market value of the shares, or previously the Fund units were as follows:

	2010 $	2009 $
Average market value	6.90	5.38
Market value at end of year	7.12	6.19

RELATED PARTY TRANSACTIONS

A loan of $30,000 to the holder of the non-controlling interest, bearing interest at prime rate plus 1% and without repayment terms was also outstanding as the end of 2010. A balance of $50,000 on a loan to a company related to a former officer was outstanding at December 25, 2010. The loan bears no interest and the balance is repayable in December 2011.

FINANCIAL RISK MANAGEMENT

Details of financial risk management objectives and policies are described under Note 27 to the consolidated financial statements for 2010.

- Exchange risk related to assets and liabilities denominated in foreign currencies is commented above in the section *Gain and loss on foreign currency translation.* Regarding purchases of goods in foreign currencies, New Look is subject to the fluctuations of the US dollar and euro vis-à-vis the Canadian dollar. New Look may not always be in a position to adjust the sales price reflecting a variation in costs. Management established a policy covering approximately 50% of the purchases in US dollars forecast for the next 12 months through the use of foreign exchange contracts. Although the result has not been profitable up to now, the spot rates having been lower than the contractual rates, management maintains its policy on foreign exchange.

- A percentage of 91% of the long-term debt bears a variable interest rate which has been profitable to New Look. The credit facilities allow New Look to use interest rate swap instruments when management will deem it appropriate. New Look also has an agreement with its bank allowing the Company to borrow through bankers' acceptances. The long-term debt to the bank was on December 25, 2010 wholly financed through bankers' acceptances bearing an average effective rate of 3.3%. An increase in the prime rate would raise the interest expense of New Look. As an illustration, an increase of one percentage point would have reduced earnings before income taxes by $101,000 in 2010

- Credit risk related to the core business of New Look is not really an issue since the general policy is to require a down payment on accepting sales orders and payment of the balance of the sale price on delivery of goods.

- The liquidity risk management is covered above in the section *Liquidity*.

OTHER RISK FACTORS

Readers will find more information on other risk factors in the Annual Information Form which is available on New Look's website and on SEDAR at www.sedar.com. The information provided concerns:

- Risks relating to the business such as
  - Competition, including e-commerce,
  - Dependence on the availability of optometrists and other professionals,
  - Non-compliance with laws and regulations regarding optometrists and opticians,
  - Impact of laser surgery,
  - Difficulty of integrating acquired businesses,
  - Foreign sourcing,
  - Violation of confidentiality of personal and health information,
  - Technological change and obsolescence regarding lens processing,
  - Dependence on computer-assisted production equipment and information technology systems,
  - Possible litigation,
  - External events, and
  - Insufficient provision for income taxes;
- Risks relating to acquisition of Sonomax such as
  - Third party credit, contractual and operational risks,
  - Due diligence risks,
  - Reliance on the indemnity agreement,
  - Income taxes;
- Risks relating to New Look shares such as
  - Unpredictability and volatility of the shares,
  - No guarantee of dividends,
  - Structural subordination of the shares,
  - Leverage and restrictive covenants,

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

New Look's management, under the supervision of the president and the chief financial officer, has evaluated the effectiveness as at December 25, 2010 of New Look's disclosure controls and procedures (as defined in Multilateral Instrument 52-109) and has concluded that such disclosure controls and procedures are effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Management is also responsible for the design of internal control over financial reporting (as defined in Multilateral Instrument 52-109) within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the presentation of financial statements for external purposes in accordance with Canadian GAAP. New Look's management, under the supervision of the president and the chief financial officer, has evaluated the effectiveness as at December 25, 2010 of such internal control and has concluded that it is effective. There were no changes in internal control over financial reporting during the period beginning on September 26, 2010 and ended December 25, 2010 that have materially affected, or are reasonably expected to materially affect the internal control over financial reporting.

APPROVAL OF THE FINANCIAL STATEMENTS

The Company's consolidated financial statements have been approved by the Board of Directors of New Look upon recommendation of its Audit Committee prior to release.

OUTLOOK

New Look with its unique business model is well positioned to play a key role in the evolution of the eye industry in Canada through organic geographic expansion, acquisitions and greater market penetration in its existing store network.

We continuously adapt new technologies in our laboratory in order to improve quality and productivity. In harmony with the addition of a second HD production line in 2010, New Look will go one step further in 2011 in the robotization of certain activities.

New Look maintains its focus on its development. In the beginning of 2011, the Company opened a new store in Sorel, Québec, and purchased a practice which was integrated into the Anjou store in Montreal. New Look currently has commitments to add three other stores and to renovate or relocate four existing ones. The Company will then have all of its stores renovated over the last six years. Keeping our stores modern and attractive to the consumers and optometrists is part of our value proposition. In consequence, the Company will allocate funds to improve the visual aspects of the stores and to add or update optical equipment made available to the optometrists. Our continued expansion plans include the development, by way of acquisitions, of the store network into smaller Québec markets where the offer of optical services and products can be enhanced. Such plans also include increasing our market share in existing stores in both the Québec and Ontario markets as well as introducing a new version of hearing protection and listening devices in some stores.

Overall capital expenditures and increase in inventory currently planned for 2011 exceed $4.3 million.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such statements. Although management believes the expectations reflected in those statements are reasonable, there can be no assurance that such expectations will prove to be correct.

March 16th, 2011

New Look Eyewear Inc.
(formerly Benvest New Look Income Fund)

Consolidated Financial Statements

For the year ended
December 25,

2010

lunetterie NEWLOOK eyewear

Celebrating 25 years of vision in 2010

The consolidated financial statements of New Look Eyewear Inc. ("New Look") and the other financial information included in this annual report are the responsibility of the management and have been approved by the Board of Directors of New Look. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some 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 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'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 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 by the Board of Directors and to review internal control and information protection systems and all other matters relating to New Look's and previously Benvest New Look Income Fund's accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditor to review his audit plan and to discuss the results of his examination. This committee is also responsible for recommending the appointment of the external auditor.

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

MARTIAL GAGNÉ
President
New Look Eyewear Inc.

Montreal, Québec
March 16th, 2011

JEAN-LUC DESCHAMPS
Chief Financial Officer
New Look Eyewear Inc.

Montreal, Québec
March 16th, 2011

Raymond Chabot Grant Thornton

Independent Auditor's Report

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Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Québec H3B 4L8

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Fax: 514-878-2127
www.rcgt.com

To the Shareholders of
New Look Eyewear Inc.

We have audited the accompanying consolidated financial statements of New Look Eyewear Inc., which comprise the consolidated balance sheets as at December 25, 2010 and December 31, 2009 and the consolidated statements of earnings and comprehensive income, deficit and cash flows for the years then ended, and 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 generally accepted accounting principles 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.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 the auditor’s 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, the auditor considers 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 financial position of New Look Eyewear Inc. as at December 25, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP [1]

Montreal
March 16, 2011

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[1] Chartered accountant auditor permit no. 20518

Consolidated Earnings, Comprehensive Income and Deficit

For the years ended December 25, 2010 and December 31, 2009
In thousands of dollars, except per share or unit amounts

Consolidated Earnings and Comprehensive Income

	2010	2009
	$	$
Revenues	70,778	68,958
Cost of materials, direct labour, operating, selling and administration expenses	60,519	57,992
Earnings before the undernoted items	10,259	10,966
Amortization	3,950	3,270
Financial expenses, net of interest revenues (Note 5)	405	321
Equity-based compensation expense	88	146
	4,443	3,737
Earnings before the following items	5,816	7,229
Net gain (net loss) on foreign currency translation	6	(212)
Cost of conversion to a corporation	(853)	
Recovery of expenses related to former portfolio investments		84
Earnings before income taxes	4,969	7,101
Income taxes (Note 15)	207	1,677
Net earnings and comprehensive income	4,762	5,424
Net earnings attributed to:		
Non-controlling interest	5	7
Shareholders of New Look or unitholders of the Fund	4,757	5,417
	4,762	5,424
See Notes 5 and 6 for other information on consolidated earnings		
Net earnings per share or unit (Note 20)		
Basic	0.47	0.55
Diluted	0.47	0.54

Consolidated Deficit

	2010	2009
	$	$
Balance, beginning of year	(6,335)	(5,580)
Net earnings attributable to shareholders of New Look or unitholders of the Fund	4,757	5,417
Distributions, dividends and related taxes (Note 21)	(4,584)	(6,026)
Premium on repurchase of units (Note 16)		(146)
Balance, end of year	(6,162)	(6,335)

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

Consolidated Cash Flows

For the years ended December 25, 2010 and December 31, 2009
In thousands of dollars

	2010 $	2009 $
OPERATING ACTIVITIES		
Net earnings	4,762	5,424
Items not affecting cash:		
Amortization	3,950	3,270
Amortization of deferred lease inducements and variation of deferred rent	(107)	(37)
Equity-based compensation expense	88	146
Accretion of non-interest bearing balance of purchase price	50	57
Future income tax expense (Note 15)	201	1,635
Future tax credits related to research and development expenses		(174)
Loss on foreign currency translation related to long-term monetary assets and liabilities		132
Change in non-cash working capital items (Note 7)	909	1,498
Cash flows related to operating activities	9,853	11,951
INVESTING ACTIVITIES		
Receipt of escrowed proceeds from the sale of a portfolio investment		942
Reimbursement of advances	50	50
Purchase of property and equipment	(2,980)	(3,581)
Business transactions (Note 8)	(1,686)	(200)
Payment of balances of purchase price	(237)	
Acquisition of other intangible assets	(116)	(414)
Cash flows related to investing activities	(4,969)	(3,203)
FINANCING ACTIVITIES		
Variation in bank indebtedness	(1,660)	(2,374)
Long-term borrowings	3,705	1,000
Repayment of long-term debt	(1,251)	(1,152)
Lease inducements	90	284
Issuance of units pursuant to exercise of options	138	990
Distributions and dividends paid	(5,064)	(5,893)
Current taxes related to dividends paid	(185)	(990)
Repurchase of units		(252)
Cash flows related to financing activities	(4,227)	(8,387)
Net increase in cash	657	361
Cash, beginning of year	839	478
Cash, end of year	1,496	839

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

Consolidated Balance Sheets

December 25, 2010 and December 31, 2009
In thousands of dollars

lunetterie NEWLOOK eyewear

	2010	2009
	$	$
ASSETS		
Current assets		
Cash	1,496	839
Receivables (Note 9)	954	913
Tax credits receivable		146
Inventory	7,412	7,416
Prepaid expenses	453	359
Total current assets	10,315	9,673
Advances (Note 10)	30	80
Property and equipment (Note 11)	17,138	17,336
Tradename	2,500	2,500
Goodwill	5,958	5,958
Future income taxes (Note 15)	7,187	
Other intangible assets (Note 12)	2,730	2,150
	45,858	37,697
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 13)		1,660
Accounts payable and accrued liabilities	8,471	7,570
Distributions and dividends payable		496
Income taxes payable	22	92
Instalments on long-term debt (Note 14)	503	1,162
Total current liabilities	8,996	10,980
Long-term debt (Note 14)	10,526	7,321
Deferred lease inducements and deferred rent	2,639	2,655
Future income taxes (Note 15)		179
Deferred credit (Note 15)	6,731	
	28,892	21,135
EQUITY		
Class A common shares (Note 16)	21,803	
Fund units (Note 16)		13,655
Exchangeable shares (Note 16)		7,989
Contributed surplus (Note 17)	1,290	1,223
Deficit	(6,162)	(6,335)
Equity of the shareholders of New Look or unitholders of the Fund	16,931	16,532
Non-controlling interest (Note 18)	35	30
	16,966	16,562
	45,858	37,697

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

On behalf of the Board of Directors

W. John Bennett
Chairman of the Board

William R. Ferguson
Chairman of the Audit Committee

1. GOVERNING STATUTES AND ACTIVITIES

New Look Eyewear Inc. ("New Look" or the «Company»), incorporated under the *Canada Business Corporations Act,* is involved in the eye care services industry in Canada.

New Look resulted from the conversion on March 2, 2010 of Benvest New Look Income Fund (the "Fund"), a publicly listed income trust, into a corporation. The conversion was realized pursuant to a plan of arrangement governed by the *Canada Business Corporations Act* involving the former subsidiary of the Fund, also named New Look Eyewear Inc. ("former New Look"), and Sonomax Hearing Healthcare Inc. ("Sonomax"). New Look has continued the activities formerly carried on by the Fund and its subsidiary and activities related to the distribution business of Sonomax. The Fund units (BCI.UN) formerly listed on the Toronto Stock Exchange ("TSX") have been replaced on the TSX by shares of New Look (BCI).

2. CORPORATE CONVERSION

The conversion steps of the Fund to a corporation included a reverse acquisition of Sonomax by the Fund whereby each Fund unit and each exchangeable share of former New Look were exchanged for new common shares of Sonomax on a one-for-one basis. The pre-existing common shares of Sonomax were redeemed, the Fund was liquidated, and former New Look and Sonomax were amalgamated thus giving rise to the new entity New Look. Options to acquire Fund units have been replaced by options to acquire New Look shares.

New Look is considered the continuation of the Fund and, accordingly, these consolidated financial statements are prepared using the continuity of interests method. Under this method, the assets, liabilities, and equity of the Fund transferred to New Look on the completion of the conversion steps are recognized at their net carrying amount. These consolidated financial statements reflect New Look's activities as a corporation on and subsequent to March 2, 2010 and the Fund's activities prior thereto.

3. ACCOUNTING CHANGES

Adoption of new accounting policies

Business combinations

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1582, *Business Combinations,* replaced Section 1581 of the same title. Section 1582 establishes new standards for the accounting for a business combination. This Section constitutes the generally accepted principles ("GAAP") equivalent to the corresponding International Financial Reporting Standards ("IFRS"). This Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Entities adopting this Section also adopts Section 1601 and Section 1602 described below. Earlier application is permitted and accordingly, New Look has early adopted prospectively this new Section for business combinations occurring after December 31, 2009. New Look's management has determined that the main impact of this new Section is the expensing of acquisition costs in the periods they are incurred instead of being capitalized as part of the cost of the acquisition. The adoption of this new Section did not have a significant impact on the financial statements of the Company.

Consolidated financial statements

The CICA Handbook Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests,* together replaced Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. These Sections constitute the GAAP equivalent to the corresponding IFRS. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. New Look has early adopted retrospectively these new Sections as of January 1, 2010. The impact of these new Sections resulted in the reclassification of the non-controlling interest on the balance sheet from the liabilities to the equity and the attribution of net earnings between the shareholders of New Look or unitholders of the Fund and non-controlling interests rather than deducting the non-controlling interest to arrive to net earnings.

Future accounting standards

International financial reporting standards (IFRS)

IFRS have become the Canadian GAAP for publicly accountable enterprises. For New Look, the mandatory conversion date for first-time adoption of IFRS is December 26, 2010 with a retrospective application. The transition date for New Look is January 1, 2010.

4. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Fund and former New Look, as they existed up to March 2, 2010, and the accounts of New Look, as well as those of a variable interest entity as defined in the Accounting Guideline 15 of the CICA Handbook. All inter-entity transactions and balances have been eliminated.

Year-end

The year-end of the Company, former New Look and the variable interest entity is the last Saturday of December. The years ended in 2010 and 2009 include 52 weeks. The year-end of the Fund was December 31.

Accounting estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that New Look may undertake in the future. Actual results may differ from those estimates.

Key areas of estimation, where management has made difficult, complex, or subjective judgments, often as a result of matters that are inherently uncertain, are the allowance for doubtful accounts, the ability to use income tax losses and other future income tax assets, allowance for obsolete and slow moving inventories, useful lives of depreciable assets, the assumptions underlying New Look's equity-based compensation fair value model, and future cash flows and projections in connection with the impairment tests of tradename, goodwill and other intangible assets and property, plant and equipment.

Revenue recognition

Revenue from eye care is recognized when the product is delivered to the customer. Interest income is recognized when earned.

Cost of sales

The cost of sales includes the amount of inventories recognized as an expense, unallocated production overheads, distribution costs to stores, and costs of professional services required for the purpose of producing lenses and adjusting the eyewear to the needs of the customers. Amortization related to the assets used for these purposes is also allocated to the cost of sales.

Research and development

Research and development costs are expensed as they are incurred, net of any related tax credits.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at exchange rates in effect at transaction dates. Revenues and expenses in foreign currencies are translated at rates in effect at transaction dates. Exchange gains and losses are included in earnings for the year.

Comprehensive income

Comprehensive income is the change in equity or net assets of an enterprise during a period that results from transactions, events, and circumstances from sources other than the owners. It includes net earnings, revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income but excluded from net earnings. Management's determination was that the only component of comprehensive income for the years ended December 25, 2010 and December 31, 2009 was net earnings.

Earnings per share or unit

Basic earnings per share or unit for a period are computed by dividing the net earnings attributed to shareholders of New Look or unitholders of the Fund by the weighted average number of Fund units, exchangeable shares and Class A shares outstanding in the period. Diluted earnings per share or unit are calculated using the treasury stock method giving effect to the exercise of options. The treasury stock method assumes that any proceeds that could be obtained upon the exercise of options would be used to repurchase shares or units at the average market price during the period. Options are not included in the computation of diluted earnings per share or unit when their exercise price is greater than the average market price in the period since they would have an anti-dilutive effect.

Financial assets and liabilities

Financial instruments are measured at fair value on initial recognition. The measurement of financial instruments in subsequent periods depends on their classification. The classification of New Look's financial instruments in the various classes is presented in the following table:

Class	Financial instruments
Assets held for trading	Cash
Loans and receivables	Receivables, excluding sales taxes Advances
Other financial liabilities	Bank indebtedness Accounts payable and accrued liabilities Distributions and dividends payable Long-term debt

Assets held for trading are recognized at fair value on the consolidated balance sheet.

Loans and receivables are initially recorded at fair value. Subsequent measurement of receivables excluding sales taxes are recorded at amortized cost, which usually corresponds to the amount initially recorded less any allowance for doubtful accounts. Subsequent measurements of advances are recorded at amortized cost using the effective interest method, including any impairment. Gains and losses arising from a subsequent measurement of loans and receivables are recognized in net earnings.

Bank indebtedness, accounts payable and accrued liabilities, distributions and dividends payable and long-term debt are measured at amortized cost using the effective interest method and the gains and losses resulting from their subsequent measurement are recognized in net earnings.

Transaction costs related to bank indebtedness and long-term debt are expensed in the period incurred and are included in financial expenses.

Note 26 provides the carrying value of each class of financial instrument.

Hierarchy of financial instruments

The Company categorizes its financial instruments that are measured at fair value on the balance sheet into a three-level fair value measurement hierarchy as follows:

Level 1: The fair value is determined directly by reference to unadjusted quoted prices in active markets for identical assets and liabilities. The financial asset included in this level is cash denominated in foreign currencies.

Level 2: The fair value is estimated using a valuation technique based on observable market data, either directly or indirectly. This level includes the Company's derivative financial instruments composed of its forward foreign exchange rate contracts, which are valued using a pricing model supported by market inputs.

Level 3: The fair value is estimated using a valuation technique based on unobservable data. The Company does not have any financial instruments which should be included in this level.

Derivative financial instruments

The Company uses forward exchange contracts to protect future foreign currency purchases against changes in exchange rates. The Company does not use hedge accounting; accordingly, the forward exchange contracts are recognized at their fair value on the balance sheet and changes in fair value are recognized in earnings for the year.

Amounts in tables are in thousands of dollars, except per share or unit amounts

Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first in first out method.

Amortization

Property and equipment are amortized over their estimated useful lives. The following table show the methods, rates or periods in use:

	Method	Rate or period
Equipment, tools and signs	Straight line	10 years
Computer equipment	Straight line	5 years
Optical equipment	Straight line	15 years
Leasehold improvements acquired prior to January 1, 2007	Straight line	Lease term, maximum of 7 years
Leasehold improvements acquired since January 1, 2007	Straight line	Lease term including periods under option, maximum 10 years

Impairment of long-lived assets

Property, equipment, and intangible assets subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of long-lived asset over its fair value. As at December 25, 2010 and December 31, 2009, there were no events or changes in circumstances that would indicate that the carrying amount may not be recoverable.

Tradename

The tradename is recorded at cost and is not amortized. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the tradename with its carrying amount. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to that excess. Management's determination at December 25, 2010 and December 31, 2009 was that the tradename was not impaired.

Goodwill

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is not amortized. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset is impaired. When the carrying value of goodwill exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The fair value is calculated using discounted cash flows. Management's determination at December 25, 2010 and December 31, 2009 was that the goodwill was not impaired.

Other intangible assets

Other intangible assets include application software and intangible assets acquired with the purchase of businesses, such as lease contracts acquired under favourable conditions, customer relationships, non-competition agreements, distribution licenses, and other contractual agreements. The value allocated to a lease contract is amortized on a straight-line basis over the duration of the lease. The value of the other intangible assets is amortized on a straight-line basis over the estimated duration of the benefits obtained, which varies from two to ten years.

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 deferred rent on the balance sheet. Lease term includes free rent periods as well as the construction period prior to the commencement of the lease.

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.

Equity-based compensation

Options granted to acquire shares are recorded using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model. The expense is recognized over the vesting period with a corresponding credit to contributed surplus. Balances in contributed surplus are transferred to the carrying value of the shares when the options are exercised. Proceeds from the exercise of options are credited to the shares.

Income taxes

The Fund was an income trust and as such, was only taxable on income not distributed to unitholders. Income tax obligations relating to distributions from the Fund were the obligations of the unitholders.

New Look, former New Look and the variable interest entity use the future income taxes method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to unused tax losses and differences between the carrying amount of the assets and liabilities and their values for tax purposes. Future tax assets and liabilities are measured using substantively enacted income tax rates expected to be in effect for the years in which the tax losses are expected to be used and the differences are expected to reverse. The effect of a change in tax rates on future income tax assets or liabilities is recognized in earnings in the period in which the change occurs. In addition, unused tax credits are assessed for recognition as tax assets. New Look records a valuation allowance for future income taxes if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Following the conversion of the Fund into a corporation, the new entity New Look is subject to income tax rules applicable to corporations.

Taxes related to dividends on exchangeable shares

Taxes related to dividends paid on exchangeable shares of former New Look were charged to deficit to the extent that they were not offset by a reduction in corporate income taxes.

These taxes no longer apply after the corporate conversion described in Note 2.

Amounts in tables are in thousands of dollars, except per share or unit amounts

5. FINANCIAL EXPENSES, NET OF INTEREST REVENUES

	2010 $	2009 $
Interest on long-term debt	335	289
Interest on bank indebtedness and other interest	23	76
	358	365
Financing fees	49	30
Interest revenues	(2)	(74)
	405	321

6. UNDERLYING COMPONENTS IN CONSOLIDATED EARNINGS

Cost of sales

	2010 $	2009 $
Amounts included in cost of materials, direct labour, operating, selling and administrative expenses	32,878	30,775
Amounts included in amortization	931	917
	33,809	31,692

Other components

	2010 $	2009 $
Write-down of inventories included in cost of sales disclosed above	92	107
Loss on foreign currency translation included in cost of sales disclosed above	(69)	(65)
Other gain (loss) on foreign currency translation, including :	6	(212)
Gain (loss) from changes in fair value of forward exchange contract	15	(58)
Amortization of property and equipment	3,205	2,864
Amortization of other intangible assets	745	406
Interest income from temporary investments and the escrowed proceeds	1	72
Interest income from holder of the non-controlling interest	1	2
Accretion of non-interest bearing balance of purchase price, included in interest on long-term debt	50	57
Research and development expenses	385	711
Related tax credits		
Current		227
Future		174

7. UNDERLYING COMPONENTS IN CONSOLIDATED CASH FLOWS

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

	2010 $	2009 $
Receivables	(40)	132
Tax credits receivable	146	76
Inventory	66	1,017
Prepaid expenses	(94)	191
Accounts payable and accrued liabilities	901	122
Income taxes payable	(70)	(40)
	909	1,498

Other changes in non-cash working capital items relate to business transactions as described in Note 8, lease inducements receivable which are related to financing activities and the reclassification of an advance as short-term asset.

Cash flows relating to interest, income taxes, and taxes on dividends are detailed as follows:

	2010 $	2009 $
Interest paid	308	308
Income taxes paid and taxes relating to dividends paid	274	995

8. BUSINESS TRANSACTIONS

Corporate conversion in 2010

In connection with the conversion of the Fund into a corporation, as described in Notes 1 and 2, a total consideration of $1,740,000 composed of $1,566,000 in cash and $174,000 of preferred shares was paid for the transaction with Sonomax that resulted in the acquisition of the following net assets on March 2, 2010:

	2010 $
Inventory	30
Equipment	10
Distribution license	1,019
Future income tax assets	8,966
Total assets acquired	10,025
Deferred credit	8,285
Net assets acquired	1,740
Cash paid	1,566
Issuance of Class A preferred shares	174
	1,740

Amounts in tables are in thousands of dollars, except per share or unit amounts

The distribution licenses refer to distribution rights with respect to custom-fit hearing protection devices and listening devices. The licence is amortized over a 24-month period beginning in April 2010.

The future income tax asset relates to the equivalent of approximately $30 million in tax losses, including research and development tax credits. The deferred credit relating to this income tax asset is amortized to future income taxes and calculated proportionally to the utilization of the future income tax asset.

The preferred shares are redeemable as follows: 1/3 in September 2010, 1/3 in March 2011 and 1/3 in March 2012. The redemption is subject to certain terms and conditions under an escrow agreement. The portion payable in September 2010 was retained as some conditions were not fulfilled. The shares are non-voting and do not give right to receive any dividend.

Acquisition of a practice in December 2010

On December 17, 2010, New Look acquired 100% of the voting shares of an optical practice for a total consideration amounting to $225,000 of which $120,000 was paid in cash and $105,000 is the fair value of a balance payable over the next three years. The net assets acquired mainly include intangible assets for $190,000 consisting of customer relationships and contractual agreements. The net assets acquired also include inventory and equipment for $49,000 and future income tax liabilities for $14,000.

Acquisition in 2009

Effective the first day of 2009, New Look acquired the remaining 50% of the voting shares, also representing 50% of the equity, of Monique Laurent Inc., a joint venture already operating two stores under the name of New Look. The net assets acquired are detailed as follows:

	2009 $
Cash	125
Other current assets	165
Property and equipment	263
Contractual agreements	633
Customer relationships	116
Goodwill	104
Total assets acquired	1,406
Current liabilities	184
Long-term liabilities	85
Future income taxes	179
Total liabilities assumed	448
Net assets acquired	958
Cash paid	325
Balance payable, at fair value(a)	633
	958
Cash paid	325
Less: Cash acquired	125
Cash paid, net of cash acquired	200

(a) The balance payable has a nominal value of $780, 000 bears no interest and will be disbursed over the next six years by amounts determined by reference to the performance of the stores acquired. Management has concluded that the expected performance was realizable beyond reasonable doubt and therefore has recorded the contingent consideration. The fair value of the balance payable was determined by discounting the expected disbursements at the rate of 9% per annum.

The operations from these acquisitions and corporate conversion were included in the consolidated earnings from the date of acquisition or conversion.

9. RECEIVABLES

	2010 $	2009 $
Trade accounts	352	325
Sales taxes	500	487
Lease inducements	52	51
Advances	50	50
	954	913

10. ADVANCES

	2010 $	2009 $
Advance to an entity related to a director, without interest, annual repayment of $50, expiring in December 2011	50	100
Advance to the holder of the non-controlling interest, bearing interest at prime rate plus 1%, currently 4.0% (3.25% as at December 31, 2009) without repayment terms.	30	30
	80	130
Instalment due within one year	50	50
	30	80

Amounts in tables are in thousands of dollars, except per share or unit amounts

11. PROPERTY AND EQUIPMENT

	2010		
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	1,157	699	458
Optical equipment	2,368	248	2,120
Other equipment and tools	23,235	16,851	6,384
Signs	1,468	821	647
Leasehold improvements	13,819	6,873	6,946
Assets under capital leases			
Other equipment and tools	766	649	117
Leasehold improvements	233	208	25
Deposit to acquire equipment	441		441
	43,487	26,349	17,138

	2009		
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	901	471	430
Optical equipment	1,699	107	1,592
Other equipment and tools	21,994	15,782	6,212
Signs	1,387	713	674
Leasehold improvements	13,218	5,530	7,688
Assets under capital leases			
Other equipment and tools	766	623	143
Leasehold improvements	233	188	45
Deposit to acquire equipment	552		552
	40,750	23,414	17,336

12. OTHER INTANGIBLE ASSETS

	2010		
	Cost	Accumulated amortization	Net
	$	$	$
Leases	537	149	388
Application software	925	324	601
Customer relationships	755	230	525
Contractual agreements	748	170	578
Distribution license	1,019	381	638
	3,984	1,254	2,730

	2009		
	Cost	Accumulated amortization	Net
	$	$	$
Leases	537	97	440
Application software	836	207	629
Customer relationships	652	120	532
Contractual agreements	633	84	549
	2,658	508	2,150

13. BANK INDEBTEDNESS

The bank indebtedness, for a maximum authorized amount of $2,500,000 ($4,000,000 as at December 31, 2009) under an operating line of credit to finance day-to-day operations, bears interest at prime rate plus a premium varying from 0.5% to 1.0% (from 0.5% to 1.25% as at December 31, 2009), depending on the ratio of interest-bearing debt to earnings before interest, income taxes and amortization ("EBITDA"). As at December 25, 2010, the prime rate was 3.0% and the applicable premium was 0.75% for a total of 3.75%. As at December 31, 2009, the prime rate was 2.25% and the premium 0.75% for a total of 3.0%.

As of December 25, 2010, no amount was drawn on the operating line of credit ($1,660,000 was drawn at the end of 2009).

New Look may use its operating credit through bankers' acceptances for fees varying from 1.75% to 2.25% (from 1.5% to 2.25% as at December 31, 2009), depending on the ratio of interest-bearing debt to EBITDA. As of December 25, 2010 and December 31, 2009, New Look had no bankers' acceptances outstanding related to the operating line of credit.

Refer to Note 14 for the description of the security.

Amounts in tables are in thousands of dollars, except per share or unit amounts

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14. LONG TERM DEBT

	2010 $	2009 $
Bankers' acceptances under the Evergreen credit, effective rate of 3.3% (2.3% as of December 31, 2009)	10,000	7,295
Balance of purchase price, initial nominal amount of $780, without interest, average annual payment of $195 from 2010 to 2013, subject to performance conditions, fair value estimated using a discount rate of 9% (Note 8)	506	690
174,000 Class A preferred shares (Note 8)	174	
Balance of purchase price, nominal amount of $120, without interest, annual payment of $40 from 2011 to 2013, subject to performance conditions, fair value estimated using a discount rate of 7% (Note 8)	107	
9% note payable, secured by leasehold improvements having a carrying value of $179, payable in monthly instalments of $7, capital and interest, maturing in May 2012	107	175
8.88% note payable, secured by leasehold improvements and equipment having a carrying value of $113, payable in monthly instalments of $2, capital and interest, maturing in May 2014	69	85
9% note payable in monthly instalments of $1, capital and interest, maturing in January 2013	34	48
6.6% note payable in monthly instalments of $1, capital and interest, maturing in 2013	27	37
9% note payable in monthly instalments of $1, capital and interest, maturing in July 2011	5	14
Obligations under capital leases, fully repaid in 2010		17
6.15% note payable, repaid in 2010		117
Other		5
	11,029	8,483
Instalments due within one year	503	1,162
	10,526	7,321

Instalments on long-term debt

	$
2011	503
2012	1,842
2013	2,633
2014	2,509
2015	2,500
2016	1,042
	11,029

The Evergreen credit is expected to be renewed and when renewed should not require any reimbursements. The table above reflects instalment payments assuming that the "Evergreen" credit will not be renewed by the financial institution.

Credit facilities

The credit facilities existing at December 31, 2009 were renewed in 2010. The main elements of the renewed facilities are the following:

- An operating line of credit described in Note 13*, Bank Indebtedness.*
- An "Evergreen" operating credit totalling $12,000,000 to finance capital expenditures with a revolving term maturing on May 30, 2012. Every year, New Look has the option to extent the revolving term, subject to the bank's approval, for an additional year so as to maintain a revolving term of two years. No payment of capital is required during a revolving period. Should a revolving term not be renewed, New Look will retain its privileges until the expiry date already granted, on which date the principal then owing shall be converted to a term loan with a maximum term and amortization period of four years, payable in equal consecutive monthly instalments.
- The variable interest rate applicable to the Evergreen credit is prime rate plus a premium varying from 0.5% to 1.0% (0.5% to 1.25% as of December 31, 2009) depending on the ratio of interest-bearing debt to EBITDA. As of December 25, 2010, the prime rate was 3.0% and the applicable premium was 0.75% for a total of 3.75%. As of December 31, 2009, the prime rate was 2.25% and the premium 0.75% for a total of 3.0%.
- New Look may use its Evergreen credit through bankers' acceptances for fees varying from 2.0% to 2.5% (1.5% to 2.25% as of December 31, 2009), depending on the ratio of interest-bearing debt to EBITDA; the fee applicable as of December 25, 2010 was 2.0% (1.75% as of December 31, 2009). As of December 25, 2010 and December 31, 2009, all advances under the Evergreen credit were financed through bankers' acceptances.
- A credit for a maximum net risk of $900,000 ($720,000 as of December 31, 2009) is available to New Look to manage interest risk by using interest rate swap agreements or other treasury product derivatives.

The bank indebtedness and the long-term credit facilities are secured by a first ranking hypothec of $25,000,000 on New Look's movable property. Financial ratios required under the financing agreement were respected as of December 25, 2010 and December 31, 2009.

The credit facilities are reviewable annually.

15. INCOME TAXES

New Look and the other entity whose financial statements are consolidated with those of New Look are subject to tax on their taxable income at a rate of approximately 29.8% (30.9% in 2009).

Prior to the corporate conversion described in Note 2, the Fund allocated all of its income to unitholders and accordingly, no provision for income taxes was recorded at the level of the Fund as a trust. This explains the decrease in taxes resulting from distributions to unitholders in the table below.

Amounts in tables are in thousands of dollars, except per share or unit amounts

The effective income tax rate differs from the combined federal and provincial income tax rates in Canada. This difference results from the following:

	2010 $	2009 $
Earnings before income taxes	4,969	7,101
Current statutory income tax rate	29.8%	30.9%
Income tax expense at statutory rate	1,481	2,194
Increase (decrease) in taxes resulting from:		
Amortization of deferred credit	(1,554)	
Distributions to unitholders	(89)	(780)
Non deductible expenses	56	75
Write-off of tax losses on corporate conversion	207	
Non deductible loss		41
Increase in valuation allowance	29	45
Change in tax rates	59	13
Other	18	89
Income tax expense	207	1,677

The components of the income tax expense are as follows:

	2010 $	2009 $
Current	6	42
Future	201	1,635
	207	1,677

The future income tax assets and liabilities result from differences between the carrying amount and the tax basis of the following items:

	2010 $	2009 $
Long-term future income tax assets related to:		
Unused non-capital losses and tax credits	9,017	1,475
Long-term liabilities	710	758
	9,727	2,233
Long-term future income tax liabilities related to:		
Property and equipment	1,532	1,573
Goodwill and other assets	371	527
	1,903	2,100
Net long-term future income tax assets before valuation allowance	7,824	133
Valuation allowance	637	312
Net long-term future income tax assets (liabilities)	7,187	(179)

The deferred credit established following the corporate conversion, as presented in Note 8, varied as follows:

	$
Balance established following the corporate conversion	8,285
Amortization of the credit	1,554
Balance, end of year	6,731

16. FUND UNITS, EXCHANGEABLE SHARES AND CLASS A COMMON SHARES

Authorized capital as at December 31, 2009

Fund units

An unlimited number of units may be issued by the Fund. Each unit is transferable, represents an equal beneficial interest in any distribution and in the net assets in the event of termination of the Fund, and entitles the holder to one vote at all meetings of unitholders.

Exchangeable shares

An unlimited number of exchangeable shares of former New Look, each exchangeable into one Fund unit, giving right to a dividend equal to the distribution declared on each Fund unit less an amount reflecting any tax required to be paid by former New Look in respect of such dividend. The dividend was stated at two-thirds of the corresponding distribution, unless the distribution was sourced from dividends of former New Look, in which case the Board of Directors of former New Look had discretion to reduce the discount on any dividend payable on the exchangeable shares.

Special voting units issued by the Fund gave the right to holders of exchangeable shares to be represented at meetings of unitholders.

Authorized share capital as at December 25, 2010

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. These shares are treated as a liability for accounting purposes. Refer to Notes 8 and 14.

Normal course issuer bid

Under a “normal course issuer bid”, approved by the TSX, that became effective on May 1, 2009, the Fund could repurchase, subject to a daily limit of 1,000 units, up to 300,583 of its units until April 30, 2010. The normal course issuer bid was not renewed on that date.

In, 2009, 46,000 units were repurchased at an average price of $5.49. No units or shares were repurchased in 2010.

Amounts in tables are in thousands of dollars, except per share or unit amounts

Outstanding units, exchangeable shares and Class A common shares

The consolidated number and the carrying value of the Fund units and exchangeable shares of former New Look, and Class A common shares are reconciled as follows:

	Class A Common shares		Units		Exchangeable shares	
	Number	$	Number	$	Number	$
Balance at December 31, 2008			5,882,830	12,612	3,870,404	7,989
Issued pursuant to exercise of options			281,498			
Paid in cash, average price of $3.52 per unit				990		
Transfer from contributed surplus[(a)]				155		
Repurchased [(b)]			(46,000)	(102)		
Balance at December 31, 2009			6,118,328	13,655	3,870,404	7,989
Issued pursuant to exercise of options			35,000			
Paid in cash, average price of $3.51 per unit				123		
Transfer from contributed surplus[(a)]				19		
			6,153,328	13,797	3,870,404	7,989
Exchange for Class A common shares [(c)]	10,023,732	21,786	(6,153,328)	(13,797)	(3,870,404)	(7,989)
Issued pursuant to exercise of options	3,000					
Paid in cash, average price of $5.10 per share		15				
Transfer from contributed surplus[(a)]		2				
Balance at December 25, 2010	10,026,732	21,803				

a) The transfer from contributed surplus corresponds to the equity-based compensation expense previously recorded and recognized in contributed surplus.

b) During 2009, 46,000 units were repurchased at an average price of $5.49 for total disbursements of $252, which were recorded as follows:

	$
Reduction in the carrying value of the Fund units	102
Reduction in contributed surplus	4
Increase in deficit as premium on repurchase of units	146
	252

c) Fund units and exchangeable shares were exchanged for Class A common shares on a one-for-one basis.

17. CONTRIBUTED SURPLUS

	2010	2009
		$
Balance, beginning of year	1,223	1,236
Equity-based compensation expense	88	146
Transfer to shares or units	(21)	(155)
Repurchase of units		(4)
Balance, end of year	1,290	1,223

As indicated in Note 3, the amount corresponding to the equity-based compensation expense is credited to contributed surplus over the vesting period of options granted and balances in contributed surplus are transferred to the carrying value of the shares (previously Fund units) when options are exercised.

18. NON-CONTROLLING INTEREST

	2010	2009
		$
Balance, beginning of year	30	23
Net earnings attributed to non-controlling interest	5	7
Balance, end of year	35	30

Amounts in tables are in thousands of dollars, except per share or unit amounts

19. STOCK OPTION PLAN

Under the Stock Option Plan of the Company, options to acquire New Look shares may be granted to key employees, officers and directors. The exercise price of each option equals the market price of the share on 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.

Accordingly, the options granted have either one of the following vesting periods:

i) one-third after the grant date, an additional one-third at the end of the first year and the balance at the end of the second year;
ii) two-thirds after the grant date and the balance at the end of the first year;
iii) 50% after the grant date, 25% at the end of the first year and the balance at the end of the second year;
iv) 100% after the date of grant.

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 999,373 as of December 25, 2010 (835,539 units as of December 31, 2009).

Changes in the number of options outstanding were as follows:

	2010	2009
Number of options		
Outstanding at beginning of year	603,467	712,965
Granted	132,000	172,000
Exercised	(38,000)	(281,498)
Cancelled	(50,000)	
Outstanding at end of year	647,467	603,467
Exercisable at end of year	523,795	487,130
Weighted average exercise price	$	$
Outstanding at beginning of year	6.42	5.51
Granted	7.40	5.43
Exercised	3.63	3.52
Cancelled	5.50	
Outstanding at end of year	6.85	6.42
Exercisable at end of year	6.87	6.64

The following table summarizes information about options outstanding and exercisable as at December 25, 2010:

	Options outstanding			Options exercisable	
Range of exercise price	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
			$		$
5.10 to $5.49	145,000	2.9	5.35	105,998	5.33
$5.50 to $6.99	31,467	1.0	5.77	31,467	5.77
$7.00 to $7.44	471,000	2.6	7.39	386,330	7.39
	647,467	2.6	6.85	523,795	6.87

The per-share average market value was $6.90 in 2010 ($5.38 in 2009) and the per-share market value at the end of 2010 was $7.12 ($6.19 at end of 2009).

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

	December 2010	December 2009
Expected life (years)	4	4
Expected volatility	27%	35%
Risk-free interest rate	2.8%	1.6%
Expected annual dividends	$0.60	$0.65

The weighted average fair value of options granted in 2010 was $0.76 per option ($0.40 for 2009). The compensation expense of $88,000 recorded in 2010 ($146,000 in 2009) relates to the vesting of options accrued in the period.

20. NET EARNINGS PER SHARE OR UNIT

	2010	2009
	$	$
Net earnings attributable to shareholders of New Look or unitholders of the Fund	4,757	5,417
Weighted average number of units and exchangeable shares or common shares	10,022,232	9,922,112
Dilutive effect of unit options or stock options	42,001	37,422
	10,064,233	9,959,534
Basic net earnings per share or unit	0.47	0.55
Diluted net earnings per share or unit	0.47	0.54

Amounts in tables are in thousands of dollars, except per share or unit amounts

21. DISTRIBUTIONS, DIVIDENDS AND RELATED TAXES

	2010 $	2009 $
Dividends declared on exchangeable shares	371	1,980
Current tax	185	990
Future tax	(169)	(888)
Net tax related to dividends on exchangeable shares	16	102
Dividends declared on Class A common shares	3,508	
Distributions to unitholders	689	3,944
	4,584	6,026

The current tax corresponds to the tax payable on the dividends on exchangeable shares and not offset by a corresponding reduction in current income tax expense. The negative amounts of future tax correspond to additions to future income tax assets.

22. CASH DISTRIBUTIONS AND DIVIDENDS

Management considers that since the corporate conversion on March 2, 2010, all dividends declared are discretionary.

Prior to the corporate conversion, the declaration of trust under which the Fund was formed provided that the trustees had, for each month, to declare payable to the unitholders the distributable cash flow for that month. The distributable cash flow was calculated at the level of the Fund and consisted of the excess of interest and dividends received from former New Look over the expenses incurred by the Fund.

The Certificate of Arrangement under which former New Look was formed provided that the holders of exchangeable shares were entitled to a dividend per share equivalent to the distribution per unit after taking the corporate income tax into consideration. The dividend per share was established at 2/3 of the distribution per unit, except to the extent that the distribution was sourced with dividends from former New Look in which case the dividend was equal to the distribution.

Dividends paid by former New Look to the Fund were discretionary and hence distributions out of such dividends were considered as discretionary.

	2010 $	2009 $
Total distributions and dividends paid	5,064	5,893
Non-discretionary portion	726	3,619

23. RELATED PARTY TRANSACTIONS

The consolidated statement of earnings reflects the following transactions with related parties:

	2010 $	2009 $
Interest income from the holder of the non-controlling interest	2	2

These transactions were concluded at the exchange amount established and accepted by the parties. Advances to an entity related to an officer bear no interest.

24. COMMITMENTS

New Look has entered into long-term lease agreements expiring until 2020 which call for lease payments for the rental of buildings. Minimum lease payments required under such leases are as follows:

Year	$
2011	8,799
2012	8,126
2013	7,265
2014	6,497
2015	5,514
Thereafter	10,202
	46,403

New Look has also entered into agreements to purchase property and equipment totalling $314,000.

25. CONTINGENCIES

New Look is contingently liable with respect to claims and litigations that arise in the normal course of operations. Management is of the opinion that any liability in excess of the 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:

	2010 $	2009 $
Assets held for trading		
Cash	1,496	839
Loans and receivables		
Trade accounts	352	325
Lease inducements	52	51
Advances including current portion	80	130
Total financial assets	1,980	1,345
Other financial liabilities		
Bank indebtedness		1,660
Accounts payable and accrued liabilities	8,471	7,570
Distributions and dividends payable		496
Long-term debt including current portion	11,029	8,483
Total financial liabilities	19,500	18,209

Estimated fair value

Cash, receivables excluding sales taxes, bank indebtedness, accounts payable and accrued liabilities, as well as distributions and dividends payable are financial instruments whose fair values approximate carrying amounts given that they mature shortly.

The fair value of long-term debt was determined by discounting future cash flows using rates which New Look could currently obtain for loans with similar terms and conditions and maturity dates. The estimated fair value of the long-term debt was essentially equivalent to the carrying amount for the years ended December 25, 2010 and December 31, 2009.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to various financial risks including: foreign exchange risk, interest rate risk, credit risk and liquidity risk resulting from its activities. Management is responsible for setting acceptable levels of risks and reviewing management activities as necessary.

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

Management has established objectives and policies regarding the following financial risks.

Exchange risk

The Company is exposed to foreign currency fluctuations with regards to the following assets and liabilities, expressed in Canadian dollars, as at December 25, 2010 and December 31, 2009:

	2010 $	2009 $
Cash in US dollars	40	607
Accounts payable in US dollars	475	245
Accounts payable in euros	13	30

The Company is also exposed to foreign currency fluctuations with regards to purchases of certain goods in the normal course of business, in the following amounts:

	Currency (in thousands)	CA$
In 2010		
Purchases in US dollars	US$ 5,103	5,275
Purchases in euros	€ 195	263
In 2009		
Purchases in US dollars	US$ 3,095	3,729
Purchases in euros	€ 152	242

Based on these figures, each 1% strengthening of the US dollar and euro would increase the amount of expenses by $53,000 ($40,000 in 2009) and decrease earnings before taxes by the same amount. In the beginning of 2009, management established a policy covering approximately 50% of the purchases in US dollars forecast for the next 12 months through the use of foreign exchange contracts.

The Company 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. Forward exchange contracts outstanding as of December 25, 2010 and December 31, 2009 related to the purchases of US dollars. They are summarized as follow:

Maturity	US$	Average contract rate in CA$
As of December 25, 2010		
Less than 4 months	420	1.049
From 4 to 12 months	679	1.044
As of December 31, 2009		
Less than 4 months	300	1.150
From 4 to 12 months	850	1.085

As of December 25, 2010, the estimated fair value of the above exchange contracts was a liability of $43,000 ($58,000 as of December 31, 2009) included with accounts payable and accrued liabilities.

Amounts in tables are in thousands of dollars, except per share or unit amounts

Interest rate risk

As at December 25, 2010, 91% (86% as at December 31, 2009) of the long-term debt bore interest at a floating rate and therefore, New Look is exposed to cash flow risks resulting from fluctuations in interest rates. A 100 basis point increase in interest rates would result in an increase in annual interest payments of $90,000 ($70,000 in 2009).

The long-term debt bearing a fixed rate of interest, including the discounted non-interest bearing debt, amounted to $1,029,000 as at December 25, 2010 ($1,184,000 as at December 31, 2009) and therefore, New Look is exposed to the risk of changes in fair value resulting from fluctuations in interest rates. A 100 basis point variation in interest rate would result in a variation in fair value of the debt of $12,000 ($19,000 in 2009).

Management's objective is to reduce the interest rate risk by using a combination of floating and fixed interest rates.

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 Company's balance sheet for its financial assets exposed to credit risk represents the maximum amount exposed to credit risk.

Cash

Credit risk associated with cash is substantiality mitigated by ensuring that these financial assets are placed with major financial institutions that have been accorded investment grade ratings by a primary rating agency and qualify as credit worthy counterparties.

Trade receivables

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.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that New Look has financing sources such as its credit facilities for a sufficient authorized amount. The Company 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(a)	Other financial liabilities(b)	Total
2011	879	8,471	9,350
2012	2,174		2,174
2013	2,873		2,873
2014	2,665		2,665
2015	2,572		2,572
2016	1,047		1,047
	12,210	8,471	20,681

(a) It is assumed that the debt of $10,000,000 under the Evergreen credit will be reimbursed in 48 equal monthly instalments beginning in June 2012. Interest at an estimated rate of 3.3% on this debt is included in the table above.

(b) Other financial liabilities include short-term bank indebtedness, accounts payable and accrued liabilities, and distributions and dividends payable.

28. CAPITAL MANAGEMENT

The Company objectives when managing capital are:

- To continue to successfully build the business with a conservative capital structure at the same time as maintaining and increasing dividends; and
- To provide above average return to the shareholders commensurately with the level of risk.

The Company capital is composed of shareholders' equity, the long-term debt including the current portion, and short-term bank indebtedness, net of cash. New Look manages the capital structure by financing its growth using a combination of its credit facilities and cash flows from operations.

The Company's capital structure is as follows:

	2010 $	2009 $
Equity	16,966	16,562
Long-term debt including short-term portion	11,029	8,483
Bank indebtedness		1,660
Cash	(1,496)	(839)
Total capitalization	26,499	25,866

The Company's guidelines with respect to its capital structure were changed in 2010 to add a debt service and rent coverage ratio. These guidelines and the resulting performance read as follows:

	Guidelines	2010	2009
Interest bearing debt(a) / EBITDA(b)	Maximum of 2.0	0.9	0.8
Interest bearing debt(a) / Total capitalization	Maximum of 0.50	0.36	0.36
Debt service and rent coverage(c)	Minimum of 1.1	1.5	1.3

(a) For this calculation, interest bearing debt is net of cash; it includes any balance of purchase price of long-term assets even if such balance bears no interest.

(b) EBITDA is net earnings before financial expenses net of interest revenues, amortization, and income taxes for the last four quarters. It excludes any gain or loss on foreign currency (except if related to cost of sales), expenses related to former portfolio investment, equity-based compensation and non-controlling interest.

(c) The debt service and rent coverage ratio is equal to : EBITDAR for the last four quarters less dividends, distributions, redeemed shares or units and paid taxes in these quarters divided by the total of current portion of long-term debt, financial expenses and rent. EBITDAR is defined as EBITDA plus rent.

While the Company is not subject to externally imposed capital requirements, its credit facilities are subject to a number of covenants, including an interest bearing debt to EBITDA ratio, which was respected in the financial years ended December 25, 2010 and December 31, 2009.

New Look has no commitments to issue shares except pursuant to the exercise of options. The normal course issuer bid under which the Fund or New Look could repurchase its units or shares, expired April 30, 2010 and was not renewed.

29. SUBSEQUENT EVENT

On March 16, 2011, the Board of Directors declared a dividend of $0.15 per Class A common share to shareholders of record on March 25, 2011, payable on March 31, 2011.

On March 2, 2010, Benvest New Look Income Fund (formerly TSX:BCI.UN) was converted into a corporation named New Look Eyewear Inc. (TSX:BCI) . As of February 28, 2011, New Look had 10,039,732 common shares issued and outstanding. New Look is a leader in the eye care industry in Eastern Canada operating a network of corporate stores and a laboratory using state-of-the-art technologies.

For the year ended December 25,

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Board of Directors

W. John Bennett
Chairman
New Look Eyewear Inc.

C. Emmett Pearson
Director
New Look Eyewear Inc.

Richard Cherney
Secretary
New Look Eyewear Inc.
Managing Partner
Davies Ward Phillips & Vineberg

M. William Cleman
Management Consultant
Cleman Consulting Inc.

Paul S. Echenberg
President and Chief Executive Officer
Schroders and Associates Canada Inc.

William R. Ferguson
President
Eric T. Webster Foundation

Martial Gagné
President
New Look Eyewear Inc.

Executive Officers

Martial Gagné
President
New Look Eyewear Inc.

Jean-Luc Deschamps
Senior Vice President and Chief Financial Officer
New Look Eyewear Inc.

Claire Boulanger
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Real Estate and Development
New Look Eyewear Inc.

Marie-Josée Mercier
Vice President
Sales and Operations
New Look Eyewear Inc.

Mario Pageau
Vice President
Optical Products and Services
New Look Eyewear Inc.

France Reimnitz
Vice President
Marketing and Merchandising
New Look Eyewear Inc.

Caroline Rouleau
Vice President
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Celebrating 25 years of vision in 2010