

# QUARTERLY REPORT



Fonds de revenu **Benvest**  
**NEWLOOK**  
*Income Fund*



To our unitholders,

The first quarter was another strong quarter for the Fund as New Look Eyewear Inc., our operating subsidiary, continued to successfully grow its business profitability. Details are set out in the financial statements and the Management Discussion and Analysis herein. Highlights of the operating and financial performance were as follows:

- (a) Revenues increased by 7% to \$15.3 million while EBITDA <sup>(1)</sup> increased by 9.8% to \$2.7 million for the quarter compared to last year.
- (b) Comparable store sales for the quarter increased 2.7%.
- (c) Revenues and EBITDA for the 12-month period ending March 31, 2008 reached \$59.2 million and \$10.3 million respectively, increases of 13% and 23% compared to the period ending March 31, 2007.
- (d) Net earnings for the quarter were \$1,232,000 (or \$0.13 per unit) compared with \$1,196,000 (or \$0.12 per unit) last year.

New Look plans to open six new stores over the next 12 months and to proceed with the major renovation of five existing stores. It continues to benefit from the launching in 2007 of the Evolution HD <sup>TM</sup> and Ultra Evolution HD <sup>TM</sup> lens technology which is one of the most significant developments in progressive lenses in recent years and which offers New Look's customers clearer lenses and improved vision.

Since its inception in May 2005, the Fund has increased its distribution rate four times. Distributions have been paid monthly without exception.

We continue to focus on our strategy of increasing market share through opening new stores, updating existing ones, acquisitions if the right opportunity is available, improving operating efficiency, and embracing the latest lens technology. We continue to believe that customer service is a major part of our success and we are actively adding to our team of independent optometrists, opticians and professional staff in order to continue to give the superior customer service.



**W. John Bennett**  
Chairman  
Benvest New Look Income Fund



**C. Emmet Pearson**  
Chairman  
New Look Eyewear Inc



**Martial Gagné**  
President  
New Look Eyewear Inc

*(1)The Fund defines EBITDA as earnings before financial expenses, net of interest revenues, income taxes, and amortization. It excludes any gain or loss on foreign currency translation (except if related to cost of sales), equity-based compensation, and non-controlling interest. EBITDA is not a recognized measure under Canadian generally accepted accounting principles and may not be comparable to similar measures used by other entities. The Fund 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 earnings or cash flows as determined under GAAP.*

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER ENDED MARCH 31, 2008

In thousands of dollars, except per unit amounts

## Highlights

Highlights for the quarter ended March 31, 2008 compared to the corresponding quarter of 2007 are as follows:

	2008	2007
Revenues from eye care	\$15,306	\$14,309
<i>Growth rate</i>	7.0%	
<i>Comparable stores growth rate</i>	2.7%	
EBITDA <sup>(a)</sup>	\$2,731	\$2,488
<i>Growth rate</i>	9.8%	
<i>% of revenues</i>	17.8%	17.4%
Net earnings	\$1,232	\$1,196
<i>Growth rate</i>	3.0%	
Net earnings per unit		
Basic and diluted	\$0.13	\$0.12
Cash flows from operating activities	\$2,626	\$2,238
Capital expenditures <sup>(b)</sup>	\$745	\$1,141
Long-term debt borrowings	\$998	\$934
Repayment of long-term debt	\$281	\$283
Cash distribution per unit <sup>(c)</sup>	\$0.156	\$0.150
Distributions, dividends and related taxes	\$1,575	\$1,529
At end of quarter		
Total assets <sup>(d)</sup>	\$35,279	\$31,556
Long-term debt <sup>(e)</sup>	\$7,177	\$4,020
Number of stores	57	53

- (a) Refer to the section EBITDA below for a definition and comments on EBITDA.
- (b) Main capital expenditures in the first quarter of 2008 related to:
- The relocation of the Rimouski store;
  - The major renovation of the Côte-des-Neiges store in Montreal;
  - The addition and renewal of IT equipment and software in stores and offices.
- (c) The distribution has been paid monthly since the inception of the Fund in May 2005.
- (d) The increase in total assets reflects, among others, the addition of four stores and major renovations or relocations of 9 stores.
- (e) The amount of long-term debt includes the portion repayable within one year.

## Background

Management's discussion and analysis ("MD&A") relates to the financial condition, results of operations and cash flows of Benvest New Look Income Fund (the "Fund"), together with those of its subsidiary, New Look Eyewear Inc. ("New Look"), and those of 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.

The Fund was created pursuant to a plan of arrangement that became effective May 1, 2005 (the "Arrangement"). The Fund owns all of the outstanding securities of New Look, except its exchangeable shares. New Look is a corporation governed by the Canada Business Corporations Act and has resulted from the amalgamation of Benvest Capital Inc. ("Benvest") and certain other corporations pursuant to the Arrangement. The business carried on by Benvest and its subsidiaries prior to the Arrangement is now carried on through the Fund and New Look Fund units are traded on the TSX (BCI.UN).

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.

All financial information reflected herein is expressed in Canadian dollars (unless otherwise indicated) and determined on the basis of Canadian generally accepted accounting principles ("GAAP"). You should read the following discussion and analysis together with the interim consolidated financial statements for the period ended March 31, 2008 and with the December 31, 2007 year-end audited consolidated financial statements of the Fund.

Additional information relating to the Fund and New Look can be found on the website [www.newlook.ca](http://www.newlook.ca) or via [www.benvest.com](http://www.benvest.com). The Fund's continuous disclosure materials and the disclosure materials of Benvest, including its annual and quarterly MD&A, annual and quarterly financial statements, the December 31, 2007 year-end audited consolidated financial statements of the Fund, annual information forms, proxy solicitation and information circulars and various press releases issued by Benvest and the Fund are also available directly through the SEDAR system at [www.sedar.com](http://www.sedar.com).

## Our business

New Look is a leading provider of eye care products and services in Eastern Canada. As of March 31, 2008, its network consisted of 57 eye care stores: 52 are located in the major cities of the province of Québec and five serve the Ottawa area in Ontario. New Look is the only eyewear retailer in Eastern Canada to operate a complete eyewear transformation laboratory which is located in Ville St-Laurent, Québec.

## Approval of the financial statements

The Fund's interim consolidated financial statements for the period ended March 31, 2008 have been approved by Board of Trustees upon recommendation of the Audit Committee.

## Accounting policies

The interim consolidated financial statements of the Fund for the period ended March 31, 2008 are consistent with the policies and methods of application outlined in the audited consolidated financial statements of the Fund for the year ended December 31, 2007 with the following exceptions: segmented information, inventories and cost of sales, and additional disclosures regarding financial instruments and capital.

## Segmented information

Up to 2007, the Fund reported segmented information in its financial statements. The reportable segments then identified were the eye care segment and the "other segment" which related to former portfolio investments. Management is of the view that the current situation no longer warrants segmented information, taking into account the disclosure requirements of the Canadian Institute of Chartered Accountants' ("CICA") Handbook. Management does not see at this time other reportable segments justifying segmented information.

## Inventories and cost of sales

Beginning with the first quarter of 2008 and in accordance with new Section 3031 of the CICA Handbook, the Fund provides additional information in its financial statements regarding inventory and the cost of sales.

The basic method of measuring inventories remains the same as in the past, i.e. the lower of cost and net realizable value. Considering our extended network of stores, by far the most important item included in the inventory is frames. The cost attributed to frames reflects the purchase price, custom duties and discounts granted by suppliers. The cost of lenses processed in our laboratory includes the cost of materials, direct labour and production overheads.

The elements included in the cost of sales are described in the section *Cost of sales*.

## Additional disclosures

In accordance with new requirements of the CICA Handbook, the Fund has added in the financial statements additional information regarding financial instruments and capital management. The new requirements only address disclosures and have no impact on the Fund's financial results.

## Start-up costs

As mentioned in the 2007 annual MD&A, the Fund has adopted the policy of expensing start-up costs beginning with its 2009 fiscal year and the comparative figures will then be restated retrospectively. The retrospective impact will be as follows for the first quarter of 2008:

▪ Additional expenses as current start-up costs	Nil
▪ Reversal of amortization of start-up costs	\$55
▪ Increase in net earnings before income tax	\$55

## Revenues from eye care

Total revenues from eye care increased by 7.0% to \$15.3 million, while revenues from comparable stores increased by 2.7%. Five new stores added \$0.6 million to revenues. Comparable stores are those having at least 24 months of operations.

## Cost of sales

The main items of inventory used and reflected in the cost of sales are frames, lenses and production supplies. 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 sales to revenues decreased in the first quarter of 2008 compared to the first quarter of 2007, as investment in new technology allowed a decrease in the cost of components and economies of scales were achieved.

## Other operating expenses

Other operating expenses include occupancy cost, selling and general expenses of stores as well as marketing and administration expenses. These expenses increased in the quarter of 2008 compared to the quarter of 2007 in dollar amounts and as a percentage of revenues. This reflects additional fixed expenses caused by addition of stores, enhanced marketing programs, and changes at the executive level.

## EBITDA

The Fund defines EBITDA as earnings before financial expenses, net of interest revenues, income taxes, and amortization. It excludes any gain or loss on foreign currency translation (except if related to cost of sales), equity-based compensation, and non-controlling interest.

EBITDA is not a recognized measure under Canadian generally accepted accounting principles and may not be comparable to similar measures used by other entities. The Fund 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 earnings or cash flows as determined under GAAP. The reconciling items between net earnings and EBITDA are as follows:

	2008	2007
	\$	\$
Net earnings	1,232	1,196
Amortization	976	786
Financial expenses, net of interest revenues	158	155
Equity-based compensation	33	
Net loss (gain) on foreign exchange and expenses related to portfolio investments	15	(11)
Income taxes	308	353
Non-controlling interest	9	9
<b>EBITDA</b>	<b>2,731</b>	<b>2,488</b>

While revenues from eye care for the quarter ended March 31, 2008 rose by 7.0% compared with the corresponding quarter of 2007, EBITDA increased by 9.8% for the same period to \$2.7 million. Expressed as a percentage of revenues, EBITDA grew to 17.8% from 17.4% in the corresponding quarter of last year. This ratio improved despite the increase in fixed expenses mentioned above.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER ENDED MARCH 31, 2008

In thousands of dollars, except per unit amounts

## Amortization

Amortization expenses rose to \$976 from \$786 for the first quarter of last year. The increase is due to capital expenditures required during the last two years to open 14 new stores, make major renovations to 14 other stores, acquire optical laboratory equipment including sophisticated equipment to manufacture our HD lenses and robotize certain operations, and update store equipment.

## Financial expenses, net of interest revenues

The following table provides the main elements of financial expenses along with interest revenues for the first quarters of 2008 and 2007:

	2008	2007
	\$	\$
Interest on long-term debt	123	77
Interest on bank indebtedness and other interest	31	30
Financing fees	6	56
	160	163
Interest revenues	2	8
	158	155

Interest on long-term debt increased in the first quarter of 2008 compared with the first quarter of 2007 as new borrowings totalling \$5.6 million were made since the beginning of 2007, mainly out of the "evergreen" credit facilities. Extra costs of having a debt in US dollars in order to create a financial hedge against the impact of foreign exchange fluctuations on US dollar-denominated assets have become immaterial: \$5 in the quarter of 2008 and \$14 in the quarter of 2007.

Interest on bank indebtedness was similar in both periods as the use of the line of credit was similar and the rate of interest was the same in both quarters.

Financing fees in the first quarter of 2007 related mainly to the renewal of the credit facilities. As per the accounting policy adopted in 2007, such fees are expensed when incurred.

## Gain and loss on foreign currency translation

Gains and losses on foreign currency translation are due to the fluctuation of the US dollar vis-à-vis the Canadian dollar on the net assets (or net debt) denominated in US dollar. The net debt position (US \$213 as of March 31, 2008) and the decrease in value of the US dollar during the first quarter of 2008 resulted in a net gain of \$10 for this quarter. Gains and losses on foreign exchange are limited thanks to the offsetting effect of assets and debt denominated in US dollars, the main elements of which are:

	US\$
▪ Escrowed proceeds from the sale of a portfolio investment	890
▪ Term loan	1,103

## Income taxes

The Fund is a mutual fund trust as defined under the Income Tax Act (Canada) and as a result, is not subject to taxation on its income to the extent that it is distributed to unitholders. Since all of its income has been distributed, the Fund has had no taxable income since its inception in 2005.

The income tax expense relates essentially to New Look. On a consolidated basis, the average tax expense for the first quarter of 2008 represented 20% of earnings before income taxes. The corresponding rate for the 2007 fiscal year was 18%. The difference is largely attributable to non taxable gain related to foreign exchange recorded in 2007.

Although the income tax expense amounted to \$308 for the first quarter of 2008, the current income tax portion was \$24, the difference of \$284 reflecting the use of tax losses and credits previously recognized in future income tax assets.

## Change announced for 2011

Bill C-52, which received royal assent in June 2007, translated into law the intention of the federal government to tax publicly-traded income trusts on distributions paid to unitholders, which are derived from "non-portfolio earnings". Trusts existing at October 31, 2006 benefit from a grandfathering clause. Under the new rule, the Fund will be taxed beginning in 2011 at the corporate rate on "non-portfolio earnings" distributed to unitholders and such distributions will be treated as dividends in the hands of unitholders. Non-portfolio earnings will include income such as the interest received from New Look but not the dividends received from New Look.

Management estimates that the additional tax cost related to the new rule supported by the Fund will represent approximately \$0.08 per unit per year. However, it should be noted that unitholders who are individuals residing in Canada will benefit from dividend tax credits, which will compensate to a large extent any future reduction in distribution caused by the new tax. It will be in the interest of such individuals to seek independent tax advice to measure the real impact on them.

Distributions declared in the first quarter of 2008 had a dividend content of 31%. The new rule will have no impact on the dividend content of a distribution.

## Net earnings

Net earnings of \$1,232 in the first quarter of 2008 exceeded net earnings of the corresponding quarter of 2007 by \$36. The increase in EBITDA was largely offset by increases in non-cash expenses such as amortization and equity-based compensation expense. Management is satisfied with the net results bearing in mind that same store revenues increased in the quarter.

## Summary of quarterly results

The following table summarizes unaudited quarterly consolidated results for the 12-month period ended March 31, 2008, compared with the corresponding quarters of the previous 12-month period ended March 31, 2007. These results are presented on the same basis as in the December 31, 2007 year-end audited consolidated financial statements of the Fund:

	June 30		September 30		December 31		March 31		12 months	
	2007	2006	2007	2006	2007	2006	2008	2007	2008	2007
Revenues from eye care	14,583	11,768	15,371	13,126	13,955	13,280	15,306	14,309	59,215	52,483
<i>As a % of annual revenues from eye care</i>	25%	23%	26%	25%	23%	25%	26%	27%	100%	100%
EBITDA	2,686	1,427	3,206	2,463	1,637	1,956	2,731	2,494	10,260	8,340
<i>As a % of revenues from eye care</i>	18.4%	12.1%	20.9%	18.8%	11.7%	14.7%	17.8%	17.4%	17.3%	15.9%
Gain (loss) on foreign exchange	78	(54)	41	(2)	2	106	(15)	5	106	55
Net earnings (loss)										
Eye care	1,307	662	1,601	1,208	558	829	1,216	1,188	4,682	3,887
Other segment <sup>(a)</sup>	(41)	(34)	(27)	54	(157)	(3,680)		8	(225)	(3,652)
All segments	1,266	628	1,574	1,262	401	(2,851)	1,216	1,196	4,457	235
Net earnings (loss) per unit										
Basic	0.13	0.07	0.16	0.13	0.05	(0.30)	0.13	0.12	0.47	0.02
Diluted	0.13	0.06	0.16	0.13	0.05	(0.30)	0.12	0.12	0.46	0.01

(a) As mentioned above under the section Accounting Policies, information on the "other" segment is no longer presented beginning with the first quarter of 2008.

This table shows that revenues, EBITDA and net earnings from eye care increased each quarter compared with the corresponding quarter of the previous year, except for the last quarter of 2007. In the 12-month period ended March 31, 2008, revenues, EBITDA and net earnings from eye care increased respectively by 13%, 23% and 20% compared with the previous 12-month period.

## Liquidity

The following table shows the main elements of the statement of cash flows for the first quarter of 2008 compared with the corresponding quarter of 2007:

	2008	2007
	\$	\$
Operating activities	2,535	2,363
Change in non-cash working capital items	91	(125)
Cash flows from operations	2,626	2,238
Investing		
Property and equipment	(745)	(1,141)
Other	(15)	(69)
Financing		
Variation in bank indebtedness	(1,250)	(513)
Borrowings	998	934
Repayment of long-term debt	(281)	(283)
Lease inducements		128
Distributions and dividends	(1,356)	(1,320)
Taxes related to dividends paid	(219)	(209)
Other	79	
<b>Decrease in cash</b>	<b>(163)</b>	<b>(235)</b>

## Cash flows from operations

Cash generated from operating activities before change in non-cash working capital items increased by 7% compared to the corresponding quarter of 2007. This is in line with the increase in EBITDA and net earnings. Change in non-cash working capital items contributed to increase cash by \$91 although receivables, inventory and prepaid expenses increased by \$902. This favourable result is mainly due to an increase in customer deposits, related to undelivered sales, in the first quarter of 2008.

## Investing activities

Investments in property and equipment totalling \$745 in the first quarter of 2008 related mainly to major renovations to one store and the relocation of another, as well as IT equipment and software in stores and offices. In the corresponding quarter of last year, capital investments amounting to \$1,141 related mainly to the opening of one store and the relocation of another store as well as addition of optical equipment in stores.

## Financing activities

A borrowing of \$998 out of the "Evergreen" credit facilities along with cash on hand at the end of 2007 and part of cash flows from operations were used to finance the capital expenditures of the period and a repayment of \$1,250 on the short-term bank indebtedness.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER ENDED MARCH 31, 2008

Regular repayments on the long-term debt totalling \$281 were made as scheduled in the first quarter of 2008 (\$283 in the first quarter of 2007). Borrowings under the Evergreen credit facilities do not require payments of capital before 2010. Refer to section Credit Facilities below for more details.

Most new leases provide for the payment of inducements by the landlords to New Look. These inducements represented a source of cash of \$128 in the first quarter of 2007. No inducements were received in the first quarter of 2008.

The increase in distributions and dividends paid in the first quarter of 2008 compared with the first quarter of 2007 reflects the increase in distribution per unit which was, on an annualized basis, \$0.60 at the beginning of 2007 and \$0.625 in March 2008.

## Tax related to dividends on exchangeable shares

Dividends on exchangeable shares are 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. For the first quarter of 2008, the current portion of the tax not offset by a corresponding reduction in current income tax expense is estimated at \$209. This amount increases future income tax assets as it is expected it will reduce future income tax.

Comparative figures of the first quarter of 2007 were restated in order to transfer from the statement of earnings to the statement of deficit a current charge of tax in the amount of \$209. This had the effect of increasing cash flows from operating activities and cash flows used in financing activities by the same amount.

## Credit facilities

The main elements of the credit facilities with the bank are summarized as follows:

- An operating line of credit which can reach \$4 million, depending on the value of inventory and accounts receivable, at prime rate plus 0.5%, i.e. 5.75% at the end of March 2008;
- An "Evergreen" credit of \$10 million (less the outstanding US dollar term loan described in c), the balance of which is CA \$1.1 million as of March 31, 2008) for the financing of capital expenditures, at prime rate plus 1%, i.e. 6.25% at the end of March 2008, no repayment of capital required until the end of the term in December 2009 or, at the discretion of the bank, in December 2010; capital will be repayable over 48 instalments after the end of the term; conditions include the maintaining of debt service coverage ratios;
- A term loan denominated in US dollars, US prime rate plus 1%, i.e. 6.25% at the end of March 2008, payable in monthly instalments of US \$79. Any payment in capital increases by the same amount the availability of the Evergreen credit, the whole to a maximum amount of \$10 million.

In thousands of dollars, except per unit amounts

As of March 31, 2008, the credit facilities used and available were as follows:

	\$
Credit used	
Short-term bank indebtedness	1,350
Letter of credit	100
"Evergreen" borrowings	4,957
Term loan	1,136
Credit available	5,873
<b>Total lines of credit</b>	<b>13,416</b>

As of March 31, 2008, the Fund and New Look were in compliance with all covenants governing credit facilities.

## Distributable cash

The Fund calculates and presents its distributable cash based on recommendations contained in a CICA's guidance issued in July 2007 and named *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities*.

	2008 \$	2007 \$
Cash flows from operations	2,626	2,238
Capital expenditures <sup>(a)</sup>	(745)	(1,141)
Non-controlling interest in net earnings	(9)	(9)
<b>Standardized distributable cash<sup>(b)</sup></b>	<b>1,872</b>	<b>1,088</b>
Add (deduct) entity-specific adjustments:		
<u>Financing of capital expenditures</u>		
Long-term borrowings in the period <sup>(c)</sup>	745	934
Lease inducements		128
Additional borrowings permitted but not used <sup>(d)</sup>		79
Adjustments in respect of financing capital expenditures	745	1,141
Repayment of debt <sup>(e)(f)</sup>	(72)	(68)
Capitalized start-up costs <sup>(g)</sup>	(15)	(72)
<b>Total entity-specific adjustments</b>	<b>658</b>	<b>1,001</b>
<b>Distributable cash<sup>(h)</sup></b>	<b>2,530</b>	<b>2,089</b>
Distributions and dividends paid and related taxes <sup>(i)</sup>		
\$	1,575	1,512
% of adjusted distributable cash	62%	72%

- Capital expenditures correspond to the purchase of property and equipment.

In thousands of dollars, except per unit amounts

FIRST QUARTER ENDED MARC 31, 2008

- (b) Standardized distributable cash is defined in the guidance as the GAAP measure of cash from operating activities after adjusting for capital expenditures, restrictions on distributions arising from compliance with financial covenants restrictive at time of reporting, and minority interests.
- (c) Management considers that the capital expenditures made in the first quarter of 2008 in the amount of \$771 were financed by the long-term borrowing made in this quarter. As the actual amount of this borrowing was \$998, the difference of \$227 is considered to have partly financed the reduction of the short-term bank indebtedness.
- (d) New Look had the ability under the terms of its banking agreement to finance all of its capital expenditures for 2007, but has not been required to do so, due to its strong cash flows. An adjustment has been made to standardized distributable cash to reflect this ability to finance current capital expenditures. The additional amount that New Look could have actually borrowed at the end of March 2007 well exceeds the amount of \$79 shown in the table.
- (e) Capital expenditures are at first financed through current liquidities or short-term bank indebtedness awaiting periodic borrowings under the Evergreen credits. As the temporary short-term financing is discretionary, management considers that the repayment of short-term bank indebtedness does not reduce the distributable cash.
- (f) Repayment of long-term debt deducted in the calculation of distributable cash does not include any repayment on the term loan denominated in US dollars, as such payment increases by the same amount the availability of the Evergreen credit.
- (g) As capitalized pre-opening expenses cannot be financed through long-term debt, they are deducted in the calculation of distributable cash.
- (h) Distributable cash is not a recognized measure under GAAP. The Fund believes that it is a useful financial measure of the periodic cash that is potentially available for distributions. The Fund's method of calculating this measure may differ from other issuers and accordingly, it may not be comparable to that used by other issuers.
- (i) Distributions and dividends exclude the non-controlling portion.

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 anticipated dividends and distributions.

#### Escrowed proceeds from the sale of CMN

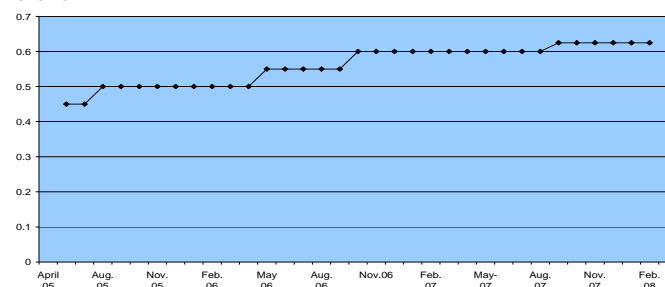
The balance in the amount of \$918 (US\$890) of the sale price of CMN International, a former portfolio investment disposed of in 2004, is held in escrow pending the settlement of two claims. A court decision favourable to CMN and indirectly to its former shareholders including New Look has been rendered in one of the disputes and the claimant has appealed that decision. Management expects that the appeal will be heard within the next 18 months and is confident in a favourable result. Consequently, the carrying value of the escrowed proceeds is maintained at the amount actually withheld.

#### Distributions and dividends

The following table summarizes the distributions paid on units and the dividends paid on exchangeable shares since the inception of the Fund in May 2005:

		Distribution per Unit	Dividend per Exchangeable Share	Total Distributions and Dividends
		\$	\$	\$
2005	8 months	0.3246	0.2335	2,737
2006	12 months	0.5454	0.4042	4,683
2007	12 months	0.6105	0.4656	5,333
2008	3 months	0.1563	0.1203	1,372

The progress of the monthly distributions by the Fund can be shown as follows:



The cash dividend on each exchangeable share is equivalent to the cash distribution declared on each unit less the income taxes required to be paid by New Look with respect of such dividend. In the first quarter of 2008, the dividend per share represented 77% of the distribution per unit. For tax purposes, the dividends were designated as "eligible" dividends, i.e. dividends giving right to the enhanced dividend tax credit to shareholders who are individuals residing in Canada.

The distributions declared in the first quarter of 2008 were composed, for tax purposes, of 31% of eligible dividends and 69% of "other income".

As shown in the table above, the Fund has regularly declared and paid its monthly distribution since its inception in May 2005. It intends to continue making such monthly distributions. The decision is made monthly and there is no guarantee that a distribution will be made each month in the future.

#### Outstanding units, exchangeable shares and options

At March 31, 2008, the Fund had 5,803,461 units outstanding and New Look had, on a consolidated basis, 3,870,404 exchangeable shares outstanding. As New Look common shares are 100% owned by the Fund, they are eliminated in the consolidated balance sheet. As of the same date, 772,334 Fund options were outstanding for an average exercise price of \$5.30; of this number, 687,223 were exercisable for an average exercise price of \$5.10.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER ENDED MARCH 31, 2008

In thousands of dollars, except per unit amounts

An unlimited number of units may be issued by the Fund and an unlimited number of exchangeable shares may be issued by New Look. The Fund units are freely tradable on the Toronto Stock Exchange (BCI.UN) while there is no market for the exchangeable shares. However these shares have been exchangeable, beginning May 1, 2006, into Fund units on a one-for-one basis.

Each unit entitles the holder to one vote at all meetings of unitholders. Holders of exchangeable shares have a similar right through special voting units issued by the Fund.

Each option gives the right to purchase one Fund unit at an exercise price equal to the market value 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 the units issued and outstanding. During the first quarter of 2008, 18,666 options to purchase units at an average price of \$4.22 were exercised.

## Controls and procedures

Management is responsible for the design of internal control over financial reporting within the Fund 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. Management has evaluated there were no changes in its internal controls over financial reporting during the quarter ended March 31, 2008 that have materially affected, or are reasonable expected to materially affect its internal control over financial reporting.

## Outlook

The Company will continue to focus on its expansion plan. In the 2007 Annual Report, management mentioned the commitments to open in 2008 six new stores and to proceed with the relocation or major renovations of seven existing stores. Part of this plan is already completed and the rest is under progress, two planned openings having been postponed to 2009. Keeping our stores modern and attractive is part of our strategy to increase sales. New Look will continue to look for potential sales increase in the current stores, potential acquisitions as well as additional sites in order to strengthen its market share in Québec and the Ottawa region.

New Look continues to benefit from the launching in 2007 of the Evolution HD™ and Ultra Evolution HD™ lenses. We continuously endeavour to adapt new technologies to our production in order to improve quality and productivity, and offer value-added products and services.

Overall capital expenditures, increase in inventory and pre-openings expenses budgeted for 2008 amount to \$6 million.

Marketing efforts will continue to focus on distinctive products such as the HD Evolution lenses, while targeting not only the francophone market in Québec, but also the English-speaking population of the Ottawa region, Montreal and Eastern Townships. In order to improve New Look's market share, television, radio and newspapers will continue to be used as the favoured media.

The implementation of an ERP system is an important project under progress. Such a new system will diminish certain risks related to old software and is expected to facilitate growth of the business with modest addition of administrative personnel.

## 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.

May 6<sup>th</sup> 2008

# CONSOLIDATED FINANCIAL STATEMENTS



Fonds de revenu **Benvest**  
**NEWLOOK**  
*Income Fund*



# CONSOLIDATED EARNINGS, COMPREHENSIVE INCOME AND DEFICIT

In thousands of dollars, except per unit amounts

	3 months ended March 31, 2008 (Unaudited) \$	3 months ended March 31, 2007 (Unaudited) \$
Revenues from eye care	15,306	14,309
Cost of materials, direct labour, operating, selling and administrative expenses	12,575	11,821
<b>Earnings before the undernoted items</b>	<b>2,731</b>	<b>2,488</b>
Amortization	976	786
Financial expenses, net of interest revenues (Note 4)	158	155
Equity-based compensation expense	33	
	1,167	941
<b>Earnings before the following items</b>	<b>1,564</b>	<b>1,547</b>
Net gain (loss) on foreign exchange and expenses related to portfolio investments	(15)	11
<b>Earnings before income taxes and non-controlling interest</b>	<b>1,549</b>	<b>1,558</b>
Income taxes (Note 7)	308	353
<b>Earnings before non-controlling interest</b>	<b>1,241</b>	<b>1,205</b>
Non-controlling interest	9	9
<b>Net earnings and comprehensive income</b>	<b>1,232</b>	<b>1,196</b>
See Notes 4 and 5 for other information on consolidated earnings		
<b>Net earnings per unit (Note 12)</b> Basic and diluted	<b>0.13</b>	<b>0.12</b>

## Consolidated Deficit

	3 months ended March 31, 2008 (Unaudited) \$	3 months ended March 31, 2007 (Unaudited) \$
Balance, beginning of period	(4,915)	(3,873)
Adjustment (Note 14)		(120)
Net earnings	1,232	1,196
Distributions to unitholders	(906)	(865)
Dividends and related taxes (Note 8)	(466)	(444)
<b>Deficit, end of period</b>	<b>(5,055)</b>	<b>(4,106)</b>

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

# NEW LOOK

## CONSOLIDATED CASH FLOWS

In thousands of dollars

	3 months ended March 31, 2008 (Unaudited) \$	3 months ended March 31, 2007 (Unaudited) \$
<b>OPERATING ACTIVITIES</b>		
Net earnings	1,232	1,196
Items not affecting cash:		
Non-controlling interest	9	9
Amortization	976	786
Amortization of deferred lease inducements and variation of deferred future rent	(9)	65
Equity-based compensation expense	33	
Future income taxes (Notes 7 and 19)	284	318
Loss (gain) on foreign currency translation related to long-term monetary assets and liabilities	10	(11)
Change in non-cash working capital items	91	(125)
<b>Cash flows related to operating activities</b>	<b>2,626</b>	<b>2,238</b>
<b>INVESTING ACTIVITIES</b>		
Advances		3
Purchase of property and equipment	(745)	(1,141)
Acquisition of other assets	(15)	(72)
<b>Cash flows related to investing activities</b>	<b>(760)</b>	<b>(1,210)</b>
<b>FINANCING ACTIVITIES</b>		
Variation in bank indebtedness	(1,250)	(513)
Long-term borrowings (Note 6)	998	934
Repayment of long-term debt	(281)	(283)
Lease inducements		128
Issuance of units to holders of options	79	
Distributions and dividends paid (Note 11)	(1,356)	(1,320)
Current tax related to dividends paid (Notes 8 and 19)	(219)	(209)
<b>Cash flows related to financing activities</b>	<b>(2,029)</b>	<b>(1,263)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(163)</b>	<b>(235)</b>
Cash and cash equivalents, beginning of period	425	235
<b>Cash and cash equivalents, end of period</b>	<b>262</b>	<b>-</b>

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

# NEWLOOK

## CONSOLIDATED BALANCE SHEETS

In thousands of dollars

	March 31, 2008 (Unaudited) \$	December 31, 2007 (Audited) \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	262	425
Accounts receivable	988	666
Inventories	7,391	6,857
Prepaid expenses	579	533
<b>Total current assets</b>	<b>9,220</b>	<b>8,481</b>
Advances	180	180
Escrowed proceeds from sale of a portfolio investment	918	883
Property and equipment	15,228	15,387
Tradename	2,500	2,500
Goodwill	5,854	5,854
Future income taxes	515	580
Other assets	864	921
	<b>35,279</b>	<b>34,786</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness	1,350	2,600
Accounts payable and accrued liabilities	7,354	6,402
Distributions and dividends payable	458	442
Income taxes payable	428	387
Instalments on long-term debt	1,258	1,188
<b>Total current liabilities</b>	<b>10,848</b>	<b>11,019</b>
Long-term debt	5,919	5,227
Deferred lease inducements and deferred rent	2,111	2,120
Non-controlling interest	21	12
	<b>18,899</b>	<b>18,378</b>
<b>UNITHOLDERS' EQUITY</b>		
Fund units (Note 9)	12,262	12,172
Exchangeable shares (Note 9)	7,989	7,989
Contributed surplus (Note 10)	1,184	1,162
Deficit	(5,055)	(4,915)
	<b>16,380</b>	<b>16,408</b>
	<b>35,279</b>	<b>34,786</b>

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

## 1. Governing statutes and activities

Benvest New Look Income Fund (the «Fund») is an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario by a declaration of trust dated March 15, 2005. The purpose of the Fund is to hold securities of New Look Eyewear Inc. ("New Look"), a corporation involved in the eye care services industry. The Fund units are listed on the Toronto Stock Exchange.

## 2. Basis of presentation

These unaudited interim consolidated financial statements have been prepared by the Fund in accordance with Canadian generally accepted accounting principles for interim financial statements. They do not include all the information and notes required for annual financial statements and should therefore be read in conjunction with the audited consolidated financial statements of the Fund for the year ended December 31, 2007.

These interim consolidated financial statements are also prepared in accordance with accounting policies described in the Fund's audited consolidated financial statements for the year ended December 31, 2007, except to the extent that the new accounting policies described in Note 3 apply. Furthermore, starting with the 2008 fiscal year, the Fund no more presents segmented information as the "other segment", which related to a portfolio investment under liquidation and the escrowed proceeds from the sale of a portfolio investment, no more justifies presenting segregated data and accordingly the comparative figures are no longer presented.

## 3. Adoption of new accounting policies

### Financial instruments – Disclosures

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") published in the CICA Handbook new Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation" which establish standards for the presentation and disclosure of financial instruments and non-financial derivatives. These new standards are effective for fiscal years beginning on or after October 1, 2007 and the Fund implemented them as of January 1, 2008. They only address disclosures and have no impact on the Fund's financial results.

### Capital disclosures

In December 2006, the CICA published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Fund implemented it as of January 1, 2008. The new accounting standard only addresses disclosures and has no impact on the Fund's financial results.

### Inventories

In June 2007, the CICA published Section 3031, "Inventories", which replaces Section 3030 of the same title. The new section provides guidance on the determination of cost and its subsequent recognition as an expense. It also provides guidance on the cost formulas that are used to assign costs to inventories and the requirement to disclose the amount of inventories recognized as an expense. This new standard is effective for fiscal years beginning on or after January 1, 2008 and the Fund applied it as of this date.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase and costs of conversion, which in turn include direct labour and production overheads. Cost is determined by the average cost method.

Pursuant to the adoption of new Section 3031, the Fund also discloses the cost of sales which includes the amount of inventories recognized as an expense, unallocated production overheads, distribution costs to the 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 allocated to cost of sales.

Management has determined that the new standard related to inventories had no impact on the financial results.

## 4. Financial expenses, net of interest revenues

	2008	2007
	\$	\$
Interest on long-term debt	123	77
Interest on bank indebtedness and other interest	31	30
Financing fees	6	56
	160	163
Interest revenues	2	8
	158	155

## 5. Underlying components in consolidated earnings

### Cost of sales

	2008	2007
	\$	\$
Amounts included in cost of materials, direct labour and operating expenses	6,317	6,160
Amounts included in amortization	326	308
	6,643	6,468

### Other components

	2008	2007
	\$	\$
Write-down of inventories included in cost of sales	21	18
Loss (gain) on foreign exchange included in cost of sales	(1)	2
Other loss (gain) on foreign exchange	15	(5)
Amortization of property and equipment	904	713
Amortization of other assets	72	73
Interest income from temporary investments	1	7
Interest income from holder of the non-controlling interest	1	1

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER ENDED MARCH 31, 2008

Unaudited - In thousands of dollars, except per unit amounts

## 6. Long-term borrowings

Long-term borrowings in the amount of \$998 in the first quarter of 2008 were made under the "Evergreen" credit facilities which provides for no payment of capital until December 31, 2009.

## 7. Income tax

	2008	2007
	\$	\$
Current	24	35
Future	284	318
	308	353

Comparative figures were reclassified. See Notes 8 and 19 for more details.

## 8. Dividends and related taxes

	2008	2007
	\$	\$
Dividends declared on exchangeable shares	466	444
Current tax	219	209
Future tax	(219)	(209)
Net taxes related to dividends	466	444

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 comparative amounts of taxes were presented as part of income taxes in the first quarter of 2007. The above table reflects a reclassification made in the fourth quarter of 2007.

## 9. Fund units and exchangeable shares

The consolidated number and carrying value of the Fund units and exchangeable shares of New Look are determined as follows:

	Units		Exchangeable shares	
	Number	\$	Number	\$
Balance at December 31, 2007	5,784,795	12,172	3,870,404	7,989
Issued pursuant to exercise of options				
Paid in cash, average price of \$4.22 per unit	18,666	79		
Transferred from contributed surplus <sup>(a)</sup>		11		
Balance at March 31, 2008	5,803,461	12,262	3,870,404	7,989

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

## 10. Contributed surplus

	\$
Balance at December 31, 2007	1,162
Equity-based compensation expense	33
Transfer to Fund units	(11)
Balance at March 31, 2008	1,184

The amounts 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 Fund units when options are exercised.

## 11. Cash distribution and dividends

Total cash distributions and dividends paid and the extent to which they were non-discretionary were as follows:

	2008	2007
	\$	\$
Total distributions and dividends paid	1,356	1,320
Non-discretionary portion	1,100	1,002

## 12. Net earnings per unit

	2008	2007
Net earnings	\$1,232	\$1,196
Weighted average number of units and exchangeable shares	9,663,839	9,650,199
Dilutive effect of unit options	603,307	174,799
	10,267,146	9,824,998
Net earnings per unit - basic and diluted	\$0.13	\$0.12

## 13. Fund option plan

Changes in the number of options outstanding were as follows:

	Number	Weighted Average Price \$
Outstanding at December 31, 2007	791,000	5.28
Exercised	18,666	4.22
Outstanding at March 31, 2008	772,334	5.30
Exercisable at March 31, 2008	687,223	5.10

## 14. Adjustment to deficit

Pursuant to the adoption on January 1, 2007 of a policy of expensing transaction costs related to loans and lines of credit, the balance of deficit as of this date was increased as follows:

	\$
Write-off of deferred financing fees	176
Less: Future income tax related to the write-off	56
	120

## 15. Capital management

The Fund's 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 distributions to unitholders;
- To provide above average return to the unitholders commensurately with the level of risk;
- To treat the holders of exchangeable shares with respect to distributions on the same basis as the unitholders after taking into account the impact of corporate income tax.

The Fund's capital is composed of unitholders' equity, including the exchangeable shares, the non-controlling interest and the long-term debt. The Fund manages the capital structure by financing its growth mainly by using its credit facilities. While the Fund is not subject to externally imposed capital requirements, its credit facilities are subject to a number of covenants, including a debt-to-EBITDA ratio. The Fund's objective with respect to its capital is to maintain a debt-to-EBITDA ratio below 2.0.

The Fund has no commitments to issue units except pursuant to the exercise of options and the exchange of exchangeable shares.

## 16. Financial instruments

Financial instruments are either measured at fair value or amortized cost. Assets held for trading are measured on the balance sheet at fair value. Loans and receivables and other financial liabilities are measured at amortized cost. The following table provides the carrying value of each category of financial assets and liabilities and the related balance sheet item:

	March 31 2008 \$	December 31 2007 \$
<b>Assets held for trading</b>		
Cash and cash equivalents	262	425
<b>Loans and receivables</b>		
Accounts receivable	988	666
Advances	180	180
Escrowed proceeds from sale of a portfolio investment	918	883
<b>Total financial assets</b>	<b>2,348</b>	<b>2,154</b>
<b>Other financial liabilities</b>		
Bank indebtedness	1,350	2,600
Accounts payable and accrued liabilities	7,354	6,402
Distributions and dividends payable	458	442
Income taxes payable	428	387
Long-term debt including current portion	7,177	6,415
<b>Total financial liabilities</b>	<b>16,767</b>	<b>16,246</b>

## 17. Commitments

Agreements to purchase property and equipment totalled \$393 as of March 31, 2008.

## 18. Subsequent events

The Fund declared a distribution of \$0.0521 per unit for the months of April and May 2008 and New Look declared a corresponding dividend per exchangeable share for the same months.

## 19. Comparative amounts

As mentioned in Note 8, the current and future taxes related to dividends declared in the first quarter of 2007 were reclassified from the statement of earnings to the statement of deficit. The impact on net earnings for that quarter was nil. However, as per the revised classification, cash flows from operating activities increased by \$209 and cash flows used in financing activities increased by the same amount.

# NEW LOOK EYEWEAR



A LEADER IN EYE CARE ...moving forward



# Directors and Officers

Martial Gagné  
President and Chief Operating Officer  
New Look Eyewear Inc.

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

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

Caroline Rouleau  
Vice-President – Professional Services and Human Resources  
New Look Eyewear Inc.

France Reimnitz  
Vice-President – Sales and Marketing  
New Look Eyewear Inc.

Claire Boulanger  
Vice-President – Real Estate and Development  
New Look Eyewear Inc.

## Contact Information

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## Outside Trustees and Directors

W. John Bennett  
Chairman and Trustee – Benvest New Look Income Fund  
Director – New Look Eyewear Inc.

C. Emmett Pearson  
Trustee – Benvest New Look Income Fund  
Chairman – New Look Eyewear Inc.

Richard Cherney  
Secretary – Benvest New Look Income Fund and New Look Eyewear Inc.  
Managing Partner – Davies Ward Phillips & Vineberg

William Cleman  
Vice Chairman – Benvest New Look Income Fund and New Look Eyewear Inc.  
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

On May 1, 2005, Benvest Capital Inc. was converted into an income trust named Benvest New Look Income Fund, the purpose of which is to hold securities of New Look Eyewear Inc. ("New Look"). New Look is a leading enterprise in the eye care industry in Eastern Canada, with growth opportunities based on demographic trends and the consolidation of the industry in Canada. As of April 30, 2008, 5,803,461 units of the Fund were issued and outstanding and listed for trading on the TSX (BCI.UN). In addition, 3,870,404 exchangeable shares (on a consolidated basis) of New Look were also issued and outstanding. These shares, which are not listed or freely tradable, have been exchangeable on a one-for-one basis into units of the Fund since May 1, 2006.