

# QUARTERLY REPORT



l u n e t t e r i e  
**NEWLOOK**  
e y e w e a r

Second quarter ended June 25

# 2011

# Message to Shareholders

For the quarter ended June 25, 2011

To our shareholders,

New Look Eyewear Inc. is the resulting corporation following the completion of the conversion of the Benvest New Look Income Fund to a corporate structure effective March 2nd, 2010. The acquisition of Sonomax Hearing Healthcare and the conversion of the Fund into a corporation in the first quarter of 2010 were major steps forward for New Look, its management and its shareholders.

Revenues for the second quarter of 2011 reached \$19.5 million, an increase of 12.0% over the corresponding quarter of last year. Revenues from comparable stores increased by 10.2%. EBITDA<sup>(1)</sup> for the second quarter reached \$3.4 million, an increase of 83% over last year. Both Revenues and EBITDA are a record for a second quarter. Net earnings for the quarter were \$1.6 million (\$0.16 per share) compared to adjusted<sup>(2)</sup> net earnings of \$0.4 million (\$0.04 per share) last year. Second quarter operating cash flows, before changes in non-cash working capital items, amount to \$0.35 per share in comparison to \$0.18 per share last year.

On a year-to-date basis, revenues reached \$38.6 million in 2011, an increase of 11.2% over the corresponding 26-week period of last year. Revenues from comparable stores increased by 8.7%. EBITDA reached \$6.8 million, an increase of 55% over last year. Net earnings for the year-to-date period were \$3.2 million (\$0.32 per share) while adjusted net earnings for the same period of 2010 were \$1.5 million (\$0.15 per share). Year-to-date operating cash flows, before changes in non-cash working capital items, amounted to \$0.67 per share in comparison to \$0.35 per share last year. Details of operating and financial performance for New Look are set out in the Financial Statements and the Management's Discussion and Analysis herein.

Since the beginning of 2011, New Look has opened three new stores: in Sorel in February, in Ottawa at the St.Laurent Center in May, and our 66th store in Sept-Îles in June.

On July 27th, 2011, the Board of Directors approved the payment of a dividend of \$0.15 per share on New Look common shares to be paid on September 30th, 2011 to the shareholders of record as of September 21st, 2011.

We continue to focus on our strategy of increasing our market share through generating more customer traffic in our existing stores, opening new stores, updating existing ones and making opportunistic acquisitions. Concurrently, we are actively adding to our team of independent optometrists, opticians and other professional staff. We also dedicate resources to projects aimed at improving operating efficiency and embracing the latest lens technology. We firmly believe that value added customer service forms a major part of our continuing success.



**W. John Bennett**  
Chairman  
New Look Eyewear Inc.



**Martial Gagné, CMA**  
President  
New Look Eyewear Inc.

- 1) *EBITDA refers to consolidated earnings before interest income and expenses, income taxes, depreciation and amortization. It excludes any gain or loss on foreign currency translation (except if related to cost of materials), net gains or losses related to former portfolio investments, equity-based compensation, and the cost of conversion to a corporation. EBITDA is not a recognized measure under generally accepted accounting principles (GAAP) and may not be comparable to similar measures used by other entities. The Corporation 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 IFRS.*
- 2) *Adjusted net earnings is a non-GAAP financial measure that does not have any standardized meaning and is therefore unlikely to be comparable to similar measures presented by other entities. See reconciliation of this figure to net earnings in the Management's Discussions and Analysis.*

# MANAGEMENT'S DISCUSSION AND ANALYSIS



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**NEWLOOK**  
e y e w e a r

Second quarter ended June 25

# 2011

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010  
Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## HIGHLIGHTS

Highlights for the second quarter and the 26-week period ended June 25, 2011 compared with the corresponding periods of 2010 are as follows:

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
Revenues	\$19,461	\$17,383	\$38,578	\$34,695
<i>Variance</i>	12.0%		11.2%	
<i>Comparable stores variance</i>	10.2%		8.7%	
EBITDA <sup>(a)</sup>	\$3,381	\$1,848	\$6,746	\$4,372
<i>Variance</i>	83%		54%	
<i>% of revenues</i>	17.4%	10.6%	17.5%	12.6%
Net earnings attributed to shareholders or unitholders <sup>(b)</sup>	\$1,613	\$331	\$3,211	\$9,084
Adjusted net earnings attributed to shareholders or unitholders <sup>(b)</sup>	\$1,613	\$405	\$3,211	\$1,498
<i>Variance</i>	298%		114%	
Net earnings per share or unit <sup>(b)</sup>				
Basic and diluted	\$0.16	\$0.03	\$0.32	\$0.90
Adjusted net earnings per share or unit <sup>(b)</sup>				
Basic and diluted	\$0.16	\$0.04	\$0.32	\$0.15
Cash flows from operating activities, before change in non-cash working capital	\$3,520	\$1,783	\$6,740	\$3,563
Per share or unit (basic and diluted)	\$0.35	\$0.18	\$0.67	\$0.35
Capital expenditures (including Sonomax in 2010) <sup>(c)</sup>	\$1,703	\$866	\$2,763	\$3,656
Cash received on issuance of shares or units	\$233		\$381	\$123
Increase (decrease) in net debt <sup>(d)</sup>	\$311	\$308	(\$2,251)	\$1,720
Cash dividend per share or distribution per unit <sup>(e)</sup>	\$0.15	\$0.05	\$0.30	\$0.16
Distributions, dividends and related taxes <sup>(e)</sup>	\$1,520	\$501	\$3,023	\$1,577
At end of quarter				
Total assets <sup>(f)</sup>			\$45,507	\$46,781
Net debt <sup>(d)</sup>			\$9,533	\$11,024
Number of stores <sup>(g)</sup>			66	64

a) Refer to the section EBITDA below for a definition and comments on EBITDA.

b) Variances in net earnings and net earnings per share, as well as adjusted net earnings, 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.

f) The decrease in total assets is mainly attributable to the use of deferred income tax assets.

g) Three stores were added and one was closed over the last 12 months.

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010

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

## BACKGROUND

Management's Discussion and Analysis ("MD&A") relates to the financial condition, results of operations and cash flows of New Look Eyewear Inc. ("New Look" or the "Company") and its predecessor, Benvest New Look Income Fund (the "Fund"), together with those of the former subsidiary, also named New Look Eyewear Inc., and an entity, formerly described as a "variable interest entity", over which New Look has the power to govern the financial and operating policies without owning shares of this entity. The non-controlling interest referred to in the financial statements represents the share of this entity in earnings and net assets.

New Look is a corporation governed by the *Canada Business Corporation Act* and has resulted from the amalgamation of the former subsidiary of the Fund and Sonomax Hearing Healthcare in March 2010. For accounting purposes, New Look is considered as the continuity of the Fund.

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 interim consolidated financial statements for the period ended June 25, 2011 and with the audited consolidated financial statements for the year ended December 25, 2010. Greater details concerning the transition to *International Financial Reporting Standards* ("IFRS") at the beginning of the current fiscal year are provided in the interim consolidated financial statements for the first quarter ended March 26, 2011.

Except where otherwise indicated, all financial information reflected herein is expressed in thousands of Canadian dollars and is determined on the basis of IFRS. Additional information relating to New Look and the Fund can be found on the website [www.newlook.ca](http://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 New Look and the Fund are also available through the SEDAR system at [www.sedar.com](http://www.sedar.com).

## DESCRIPTION OF ACTIVITIES

New Look is a leading provider of eye care products and services in Eastern Canada. As at June 25, 2011, its network consisted of 66 corporately owned eye care stores: 58 are located in the province of Québec and eight serve the Ottawa, Ontario region. New Look operates a complete lens processing laboratory located in Ville St-Laurent, Québec.

## SECOND QUARTER OVERVIEW

Highlights of the second quarter of 2011 can be summarized as follows:

- Increase in revenues, EBITDA and net earnings, as shown in the *Highlights* above;
- Addition of stores in Sept-Îles, Québec, and in the St. Laurent Centre in Ottawa;
- Addition of edging and coating capacity in the laboratory; and
- Declaration of a dividend of \$0.15 per share.

## APPROVAL OF THE FINANCIAL STATEMENTS

New Look's interim consolidated financial statements for the period ended June 25, 2011 have been approved by the Board of Directors upon recommendation of the Audit Committee.

## ACCOUNTING POLICIES

### ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

New Look adopted IFRS on December 26, 2010, which is the beginning of the current fiscal year. Since the comparative figures have also to be presented under IFRS, the transition date to IFRS is, in the case of New Look, January 1, 2010. The impact of the adoption of IFRS can be summarized as follows.

#### Impact on the opening balance sheet as of January 1, 2010

Management determined that the carrying value of assets, liabilities and equity at January 1, 2010, established under IFRS, is the same as the carrying value established under former generally accepted accounting principles ("GAAP") at December 31, 2009. This conclusion was arrived at as the Company benefits from mandatory exceptions from full retrospective application and elected the following optional exemptions from full retrospective application of IFRS:

- Business combinations completed prior to January 1, 2010 will not be revaluated; and
- Share options vested prior to January 1, 2010 will not be revalued.

The significant mandatory exception applicable to New Look is the requirement to use estimates under IFRS that are consistent with those applied under previous GAAP.

IFRS permit the revaluation of property and equipment to fair value. Management has taken the position of not revaluing these assets, as they are mainly composed of leasehold improvements and equipment whose value declines with use and time.

Although the opening balance sheet, as well as the financial statements for 2010 and 2011, will ultimately be prepared by applying IFRS that will exist on December 31, 2011, management does not expect at this time changes to the opening balance sheet.

#### Impact on 2010 net earnings and the balance sheet as of December 25, 2010

The most significant impact of the adoption of IFRS arises from the fact that the notion of deferred credit does not meet the definition of a liability under IFRS. Consequently, the deferred credit recorded on corporate conversion in March 2010 was retrospectively removed from the balance sheet and a reduction of the tax expense of \$8,285,000 was recorded; amortization of the deferred credit was consequently cancelled. The end result is a net increase in equity of \$6,731,000 as at December 25, 2010 compared to the figures computed under previous GAAP.

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010

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

## Impact on the statement of cash flows

Under previous practice under GAAP, financial expenses in fact reduced cash flows from operating activities while distributions and dividends paid were presented as financing activities. As 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 has elected to present interest, distributions, dividends and other financial expenses paid as financing activities. Consequently, cash flows from operations will generally show a higher amount than previously reported.

## New statement on changes in equity

IFRS require the presentation of a statement of changes in equity. In fact, this new statement replaces the statement of retained earnings or deficit and the notes regarding the variation of the carrying values of shares or units and contributed surplus.

## Impact on the statement of earnings and comprehensive income and on the notes

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. Management has elected to present the expenses by their nature. The Company has consequently changed the format of expense analysis.

## 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 has taken the position to continue presenting the assets, liabilities and equity in the order currently in use in North America.

## IFRS ISSUED BUT NOT YET EFFECTIVE

Note 2.3 to the consolidated financial statements for the current quarter lists new or amended IFRS that will be effective after the current fiscal year. They mainly concern the recognition, measurement and disclosures of financial instruments and the measurement of deferred tax in relation with the recovery of underlying assets. At this time, management believes that these new or amended standards will not have a significant effect on the Company's financial statements.

## RESULTS OF OPERATIONS

### REVENUES

Revenues for the second quarter of 2011 increased by 12.0% compared to the second quarter of last year, 10.2% being attributable to comparable stores, which are the stores opened before 2010. The difference is due to the addition of three new stores over the last 12 months, although one store was closed.

Cumulatively for the 26-week period ended June 25, 2011, revenues were \$34.7 million, up 11.2% compared to the corresponding period of 2010, revenues from comparable stores having increased by 8.7%.

The performance of the comparable stores was principally due to an increase in the number of units sold in both the second quarter and the cumulative period. Management believes that the positive growth of the revenues was due to the continuous efforts in providing high quality products and services and competitive promotional activities.

### OPERATING EXPENSES

Operating expenses for the 13-week and 26-week period ended June 25, 2011 can be compared to corresponding periods of 2010 as follows:

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Revenues	19,461	17,383	38,578	34,695
Materials consumed, net of changes in inventory	4,687	4,412	8,590	8,268
<i>% of revenues</i>	24.1%	25.4%	22.3%	23.8%
Employee remuneration				
Salaries and social security costs	6,086	5,307	11,996	10,732
<i>% of revenues</i>	31.3%	30.5%	31.1%	30.9%
Equity-based compensation	33	40	49	47
Other operating expenses	5,287	5,794	11,235	11,308
<i>% of revenues</i>	27.2%	33.3%	29.1%	32.6%
Total operating expenses	16,093	15,553	31,870	30,355
<i>% of revenues</i>	82.7%	89.5%	82.6%	87.5%

Materials consumed comprise frames, lenses and production supplies. The cost of materials includes gains and losses on foreign exchanges related to the purchase of these materials. The strengthening of the Canadian dollar vis-à-vis the US dollar and our continuous purchasing power due to our sales volume have contributed to the decrease of this expense as a percentage of revenues, in the second quarter and the cumulative period.

The employee remuneration expense includes salaries, bonuses, directors' fees and social security costs of all employees and directors. Most of the expense relates to the store employees including opticians. Other employees are related to the laboratory, the distribution center and the head office. The employee remuneration as a percentage of revenues increased as certain production activities in the laboratory were accomplished with our own personnel instead of being subcontracted. Increase in remuneration is also attributable to additional resources dedicated to marketing activities, including a greater use of Internet, and to bonuses linked to the current performance of the Company.

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010

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

Other operating expenses include occupancy costs of stores, laboratory, distribution center and head office, selling and general expenses of stores as well as marketing and administration expenses. These expenses, expressed in dollars, decreased namely due to the reduction of production outsourcing and non-recurrent marketing expenses, although additional funds were allocated to personnel training. Since the operating expenses are mainly fixed and that revenues increased compared to last year, the Company actually also benefited from economies of scale.

## EBITDA

New Look defines EBITDA as earnings before financial expenses, net of interest revenues, income taxes, depreciation and amortization. It also excludes any gain or loss on foreign currency translation (except if related to cost of materials), 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 IFRS or former 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.

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

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Net earnings	1,620	339	3,226	9,099
Depreciation and amortization	993	984	1,956	1,805
Financial expenses, net of interest revenues	72	92	190	169
Equity-based compensation	33	40	49	47
Net loss (gain) on foreign exchange	(20)	(22)	(11)	(15)
Cost of conversion to a corporation		96		853
Income taxes	683	319	1,336	(7,586)
<b>EBITDA</b>	<b>3,381</b>	<b>1,848</b>	<b>6,746</b>	<b>4,372</b>
Variance in \$	1,533		2,374	
Variance in %	83%		54%	
% of revenues	17.4%	10.6%	17.5%	12.6%

EBITDA for the second quarter and the year-to-date period ended June 25, 2011 at 17.4% and 17.5% of revenues, respectively, reflect a very strong performance when compared to last year. The current ratios are in line with management's objectives. Refer to *Summary of Quarterly Results* below for comparisons with other quarters.

## DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense varied as follows:

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Depreciation of property and equipment	754	766	1,483	1,497
Amortization of intangible assets	239	218	473	308
	993	984	1,956	1,805

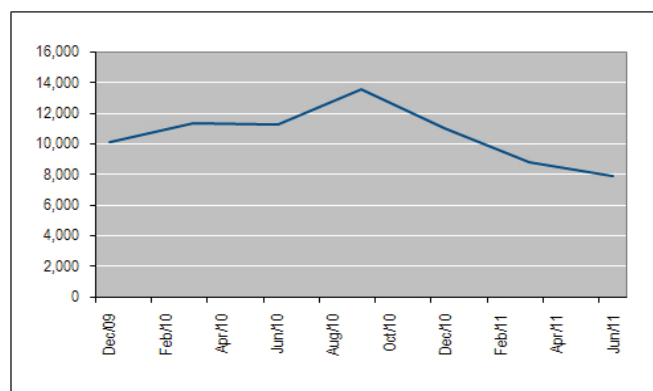
Figures of depreciation and amortization are much alike in the periods under comparison. The year-to-date increase in the amortization of intangible assets reflects, amongst others, the acquisition of distribution rights in March 2010 with respect to hearing protection devices and listening devices. The carrying value of these rights, initially 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 2011 and 2010.

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Interest on long-term debt	76	70	164	135
Interest on bank indebtedness and other interest (recovery)	(15)	8	5	4
	61	78	169	139
Financing fees	12	15	23	32
Interest revenues	(1)	(1)	(2)	(2)
	72	92	190	169

The following graph shows the total balances of long-term debt and short-term bank indebtedness since the beginning of 2010:



# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010

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Although the average total amount of the short-term bank indebtedness and long-term debt decreased in 2011 compared to 2010, higher interest rates caused an increase in interest expense. For instance, the effective cost of bankers' acceptances as of the end of June 2010 was 2.5% while it was 3.3% at the end of June 2011.

As of June 25, 2011, bankers' acceptances represented 91% of the interest-bearing debt. Management believes it is currently the most appropriate means of financing.

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.

## 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 June 25, 2011 were as follows:

Cash	USD	41
Accounts payable	USD	685
Accounts payable	EUR	61
Forward exchange contracts in US\$ (liabilities)	CAD	46

The net loss related to the cost of materials amounted to \$61,000 in the 26-week period ended June 26, 2011. The other operating expenses also include a net gain of \$14,000 reflecting 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 June 25, 2011, foreign exchange contracts to purchase US \$1,200,000 at an average rate of 1.012 (US\$/ CA\$) were outstanding, while the spot rate was 0.9814. As hedge accounting is not utilized, changes in fair value of exchange contracts are recognized in earnings.

## INCOME TAXES

The effective tax rate for the 26-week period ended June 25, 2011 is 29%, which is a normal tax rate applicable to corporations taking into account usual non deductible expenses. The Company had no current tax expense in this period as it used carried-forward tax losses. Consequently, the tax expense is essentially composed of deferred tax.

Last year's comparative period shows a negative amount of \$8,285,000 as an adjustment related to the corporate conversion that occurred in March 2010. This resulted from the application of IFRS which required transferring to earnings an amount originally presented as a deferred credit. The other elements of the income tax expense represented a tax rate more favourable than this year thanks to the trust structure that existed up to the corporate conversion.

## NET EARNINGS AND ADJUSTED NET EARNINGS

Management believes that the net earnings for the year-to-date period of 2011 can only be compared with the figures for 2010 by making the following non-recurrent adjustments:

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Net earnings attributed to shareholders or unitholders	1,613	331	3,211	9,084
Adjustment of income tax related to corporate conversion				(8,285)
Cost of conversion to a corporation, net of tax		74		699
Adjusted net earnings attributable to shareholders or unitholders	1,613	405	3,211	1,498
<i>Variance in \$</i>	1,208		1,713	
<i>Variance in %</i>	298%		114%	
<i>% of revenues</i>	8.3%	2.3%	8.3%	4.3%
Net earnings per share or unit				
Basic and diluted	0.16	0.03	0.32	0.90
Adjusted net earnings per share or unit				
Basic and diluted	0.16	0.04	0.32	0.15

The quarterly net earnings at \$0.16 per share compare favourably to the adjusted net earnings per share of \$0.04 in the second quarter of 2010. This is in line with the improvement of EBITDA discussed above. On a year-to-date basis, the net earnings per share still represent more than twice the adjusted net earnings per share of last year.

Adjusted net earnings calculated above is a non-GAAP financial measure that does not have any standardized meaning and is therefore unlikely to be comparable to similar measures presented by other entities. New Look believes that it currently provides useful information as the adjustment of income tax related to the corporate conversion and the cost of conversion to a corporation, net of tax, are not representative of on-going performance of the company.

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010

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

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes unaudited quarterly results for the four quarters ended June 25, 2011 compared with the corresponding quarters of 2010.

	June		March		December		September		4 Quarters	
	2011	2010	2011	2010	2010	2009 <sup>(a)</sup>	2010	2009 <sup>(a)</sup>	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	19,461	17,383	19,917	17,312	19,514	17,625	16,569	16,466	75,461	68,786
<i>As a % of the four-quarter revenues</i>	26%	25%	26%	25%	26%	26%	22%	24%	100%	100%
EBITDA	3,381	1,848	3,365	2,524	3,645	2,939	2,242	2,188	12,633	9,499
<i>As a % of revenues</i>	17.4%	10.6%	16.9%	14.6%	18.7%	16.7%	13.5%	13.3%	16.7%	13.8%
Gain (loss) on foreign exchange	20	22	(9)	(7)	(9)	12		(115)	4	(88)
Adjustment to income tax expense related to the corporate conversion <sup>(b)</sup>				8,285						8,285
Cost of corporate conversion		96		757						853
Net earnings attributable to shareholders or unitholders <sup>(b)</sup>	1,613	331	1,598	8,753	2,553	1,556	1,072	824	6,836	11,464
Operating cash flows before changes in non-cash working capital	3,520	1,783	3,238	1,926	3,613	3,414	2,201	1,939	12,572	9,062
Net earnings per share or unit <sup>(b)(c)</sup>										
Basic	0.16	0.03	0.16	0.87	0.23	0.16	0.11	0.08	0.68	1.14
Diluted	0.16	0.03	0.16	0.87	0.23	0.16	0.11	0.08	0.68	1.14
Operating cash flow per share or unit, before changes in non-cash working capital, diluted <sup>(d)</sup>	0.35	0.17	0.32	0.19	0.36	0.34	0.22	0.19	1.25	0.89
Dividend per share or distribution per unit	0.15	0.05	0.15	0.11	0.15	0.16	0.15	0.16	0.50	0.48

a) Figures relating to the quarters ended in 2009 were prepared under previous GAAP, except operating cash flows which have been adjusted to attribute financial expenses to the financing activities, and thus reflect the new presentation under IFRS.

b) Net earnings attributable to shareholders for the quarter ended in March 2010 at \$8,753,000 are not representative of sustainable earnings as it takes into account a non-recurrent reduction of \$8,285,000 in income tax expense related to the corporate conversion and non-recurrent costs of conversion of \$757,000. In management's view, the representative amount of net earnings is \$1,111,000, calculated as follows:

Net earnings attributable to shareholders or unitholders	\$8,753
Adjustment of income tax related to corporate conversion	(\$8,285)
Cost of conversion to a corporation, net of tax	<u>\$643</u>
Adjusted net earnings	<u>\$1,111</u>

c) 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 4-quarter period.

Overall, revenues and EBITDA increased in the trailing 4-quarter period ended June 25, 2011 compared with the preceding trailing 4-quarter period. Were it not for the non-recurrent reduction in income tax expense and conversion costs recorded in 2010, net earnings for the 4-quarter period ended in June 2011 would have exceeded net earnings for the preceding 4-quarter period.

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010  
Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## LIQUIDITY

The following table shows the main elements of the statement of cash flows for the second quarter and the 26-week period ended June 25, 2011 compared with the corresponding periods of 2010:

	13 weeks		26 weeks	
	2011	2010	2011	2010
	\$	\$	\$	\$
Operating activities	3,520	1,783	6,740	3,563
Change in non-cash working capital items	(582)	(621)	(251)	640
Cash flows from operations	2,938	1,162	6,489	4,203
Investing activities				
Purchase of property, equipment and intangibles	(1,703)	(866)	(2,727)	(1,916)
Business transaction				(1,566)
Payment of balances of purchase price			(217)	(232)
Loan	(188)		(188)	
Financing activities				
Variation in bank indebtedness	180	(10)	180	(390)
Long-term borrowings				1,700
Repayment of long-term borrowings	(1,147)	(72)	(3,178)	(161)
Lease inducements			46	45
Issuance of shares or units	233		381	123
Interest and financing fees paid	(73)	(91)	(192)	(169)
Distributions and dividends paid	(1,508)	(501)	(1,508)	(2,057)
Current taxes related to dividends paid				(185)
Decrease in cash	(1,268)	(378)	(914)	(605)
Cash at beginning of period	1,850	612	1,496	839
Cash at end of period	582	234	582	234

## CASH FLOWS FROM OPERATIONS

The increases in cash generated from operating activities before changes in non-cash working capital items compared to last year are in line with the increases in revenues, EBITDA and net earnings; they also reflect non-recurrent conversion cost of \$853,000 supported in 2010. Cash was also generated (or used) by the variation of the following working capital items:

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Decrease (increase) in receivables	(112)	197	(281)	161
Decrease (increase) in tax credits receivable	(122)		(45)	146
Decrease (increase) in inventory	(254)	(125)	(325)	(331)
Decrease (increase) in prepaid expenses	7	(96)	(291)	(232)
Increase (decrease) in accounts payable, accrued liabilities and provisions	(101)	(597)	691	896
Increase (decrease) in cash	(582)	(621)	(251)	640

This table reflects normal seasonal variations such as increases in accrued salaries and vacations.

## INVESTING ACTIVITIES

Investing activities in the 26-week period ended June 25, 2011 related to the addition of three stores, edging and coating capacity in our laboratory, optical equipment, as well as continuous renovations to existing stores and updating of optical equipment and IT equipment.

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

	13 weeks		26 weeks	
	2011	2010	2011	2010
	\$	\$	\$	\$
Purchase of property and equipment	1,681	818	2,559	1,848
Sonomax transaction				1,740
Purchase of intangibles	22	48	204	68
	1,703	866	2,763	3,656
Balances of purchase price			30	174
Future income tax liabilities			6	
Paid, as per cash flow statement	1,703	866	2,944	3,714
Less payments attributable to previous year's investment			(217)	(232)
Total capital expenditures	1,703	866	2,763	3,656

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010

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

## FINANCING ACTIVITIES

Repayment of long-term borrowings in the 26-week period ended June 25, 2011 totalling \$3,178,000, included an amount of \$3 million on the Evergreen credit. This discretionary repayment was allowed due to cash flows from operating activities and cash on hand at the beginning of the year which amounted to \$1.5 million. Other repayments on the long-term debt were made as scheduled.

At the end of the period, the Company had \$180,000 as short-term bank indebtedness out of an operating line of credit of \$2.5 million.

The dividend paid in 2011, in the amount of \$1,508,000, corresponds to the dividend declared in March and paid in the second quarter of this year out of the cash then on hand.

Most new leases provide for the payment of inducements by the landlords to New Look. These inducements represented a source of cash of \$46,000 in 2011.

Issuance of shares to directors and executives who exercised options under the option plan represented cash receipts of \$381,000 in 2011.

Increase in long-term debt also included amounts not received in cash, such as a balance payable in the amount of \$31,000 related to the acquisition of certain long-term assets.

Amounts paid as interest and financing fees are commented on in the section *Financial expenses, net of interest revenues*.

## CREDIT FACILITIES

The main elements of the credit facilities with the bank are the following:

- An operating line of credit to finance day-to-day operations of a maximum amount of \$2.5 million depending on the value of receivables and inventory.
- An "Evergreen" credit of \$12 million to finance capital expenditures with a revolving term renewable annually. This term has now been extended from May 30, 2012 to May 31, 2013. No payment of capital is required during a revolving period.
- A credit for a maximum net risk of \$900,000 to manage interest rate risk by using treasury product derivatives such as interest rate swap agreements.

Advances bear interest at prime rate plus a premium varying from 0.5% to 1.25% depending on the ratio of interest-bearing debt to EBITDA and the Company has the option of using its credit facilities through bankers' acceptances for fees varying from 1.75% to 2.5% depending on the ratio of interest-bearing debt to EBITDA.

As of June 25, 2011, the credit facilities actually used and available were as follows:

	\$
Credit used	
Amounts drawn on the operating line of credit	180
Amounts drawn on the Evergreen credit to finance long-term assets	7,000
Credit available	7,320
Total credit facilities	14,500

Amounts drawn on the Evergreen credit were totally financed through bankers' acceptances with an effective cost of financing of 3.3% per annum at June 25, 2011.

The Company also had \$582,000 in cash at the end of the second quarter and it was in compliance with all covenants governing the credit facilities.

## 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:

		June 25, 2011	Dec 25, 2010
Guidelines		\$	\$
Non-cash working capital ratio <sup>(a)</sup>	Minimum of 0.90	1.06	1.04
Interest-bearing debt <sup>(b)</sup> / total capitalization <sup>(c)</sup>	Maximum of 0.50	0.23	0.29
		Four quarters ended June 25, 2011	Four quarters ended Dec. 25, 2010
		\$	\$
Interest-bearing debt / EBITDA	Maximum of 2.0	0.6	0.9
Debt service and rent coverage ratio <sup>(d)</sup>	Minimum of 1.1	1.9	1.5

a) 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. Current liabilities also exclude dividends payable when it is evident that the dividends will be paid out of cash available or through bank indebtedness.

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 and interest-bearing debt.

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010

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

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.

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 66 stores at June 25, 2011, 61 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.

## DIVIDENDS

The Corporation's dividend policy is to pay dividends quarterly at the end of each quarter for the previous quarter. Accordingly, a dividend of \$0.15 per share was paid on June 30, 2011 for the first quarter of 2011. On July 27, 2011, the Company declared a dividend of \$0.15 per share payable on September 30, 2011 to shareholders of record on September 21, 2011. The dividend was declared on the basis of the second quarter's financial results. The next expected dividend payment date is December 30, 2011.

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.

## OUTSTANDING SHARES AND OPTIONS

As of June 25, 2011, New Look had 10,097,732 Class A common shares outstanding. These are the only shares giving right to dividends and to vote at any shareholders' meeting.

As of June 25, 2011, New Look also had 58,000 Class A preferred shares issued and outstanding. These shares are redeemable and retractable, under certain conditions, at \$1 each. The holder has no right to dividends and no right to vote. For accounting purposes, the preferred shares are treated as a liability. In 2011, the Company redeemed two thirds of the shares representing \$116,000.

In April 2011, 137,000 options to purchase New Look shares at the exercise price of \$7.40 per share were granted. The exercise price reflects the market value of the shares for the five business days preceding the 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. As of June 25, 2011, there were 753,467 options outstanding for an average exercise price of \$7.04. As of the same date, the balance of shares reserved by the TSX for issuance upon exercise of options was 928,873.

## FINANCIAL RISK MANAGEMENT AND OTHER RISK FACTORS

Details of financial risk management objectives and policies are described under Note 27 to the consolidated financial statements for 2010. Other risk factors relating to the business, the acquisition of Sonomax and New Look shares are described in the Annual Information Form dated March 16, 2011 and available on SEDAR at [www.sedar.com](http://www.sedar.com) and on New Look's website. Management believes that economic and industry factors have not substantially changed since that date.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design of internal control over financial reporting ("ICFR") (as defined in National Instrument 52-109) within New Look in order to provide reasonable assurance regarding the reliability of financial reporting and the presentation of financial statements for external purposes in accordance with IFRS. Management has evaluated that there were no changes in its ICFR during the quarter ended June 25, 2011 that have materially affected, or are reasonably likely to materially affect the ICFR of the Company.

## OUTLOOK

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

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

From a marketing standpoint, we are allocating more resources to the processing of web-based eye exam appointments and contact lens orders, as well as providing greater information to the public through our Internet newsletter on our products and services.

New Look maintains its focus on its development. In 2011, the Company has already opened three new stores in Sorel, Québec, in the St. Laurent Centre in Ottawa, and in Sept-Îles, Québec. It also purchased a practice which was integrated into the Anjou store in Montreal and completed the renovation of two other stores. New Look currently has commitments to add another store and to renovate or relocate three existing ones. Keeping our stores modern and attractive to the consumers is part of our value proposition. In consequence, the Company is allocating 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 in Ontario and into smaller Québec markets where the offer of optical services and products can be enhanced, as well as introducing a new version of hearing protection and listening devices where feasible.

Overall capital expenditures currently made or planned for 2011 approximates \$4.6 million.

# Management's Discussion and Analysis

For the quarters ended June 25, 2011 and June 26, 2010

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

## 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.

July 27<sup>th</sup>, 2011

# FINANCIAL STATEMENTS



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**NEWLOOK**  
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Second quarter ended June 25

# 2011

# Consolidated Earnings and Comprehensive Income

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - In thousands of Canadian dollars, except per share or unit amounts

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
<b>Revenues</b>	<b>19,461</b>	<b>17,383</b>	<b>38,578</b>	<b>34,695</b>
Materials consumed, net of changes in inventory	4,687	4,412	8,590	8,268
Employee remuneration expense	6,119	5,347	12,045	10,779
Other operating expenses	5,287	5,794	11,235	11,308
	16,093	15,553	31,870	30,355
<b>Earnings before the following items</b>	<b>3,368</b>	<b>1,830</b>	<b>6,708</b>	<b>4,340</b>
Depreciation and amortization	993	984	1,956	1,805
Financial expenses, net of interest revenues (Note 3)	72	92	190	169
Cost of conversion to a corporation		96		853
	1,065	1,172	2,146	2,827
<b>Earnings before income taxes</b>	<b>2,303</b>	<b>658</b>	<b>4,562</b>	<b>1,513</b>
Income taxes				
Current (recovery)	2	5	(17)	6
Deferred	681	314	1,353	693
Adjustment related to corporate conversion (Note 15.7)				(8,285)
	683	319	1,336	(7,586)
<b>Net earnings and comprehensive income</b>	<b>1,620</b>	<b>339</b>	<b>3,226</b>	<b>9,099</b>
Net earnings and comprehensive income attributed to:				
Non-controlling interest	7	8	15	15
Shareholders of New Look or unitholders of the Fund	1,613	331	3,211	9,084
	<b>1,620</b>	<b>339</b>	<b>3,226</b>	<b>9,099</b>
See Notes 3 and 4 for other information on consolidated earnings				
Net earnings per share or unit (Note 5)				
Basic and diluted	0.16	0.03	0.32	0.90

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

# Consolidated Cash Flows

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - In thousands of Canadian dollars

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings before income taxes	2,303	658	4,562	1,513
Items not affecting cash:				
Depreciation and amortization	993	984	1,956	1,805
Amortization of deferred lease inducements and variation of deferred rent	93	(17)	(48)	(34)
Equity-based compensation expense	33	40	49	47
Accretion of non-interest bearing balances of purchase price	10	12	20	24
Interest paid	61	78	169	139
Other financial expenses paid	12	13	23	30
Income taxes received	15	15	9	39
Cash flows related to operating activities before changes in non-cash working capital items	3,520	1,783	6,740	3,563
Changes in non-cash working capital items (Note 6)	(582)	(621)	(251)	640
<b>Cash flows related to operating activities</b>	<b>2,938</b>	<b>1,162</b>	<b>6,489</b>	<b>4,203</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(1,681)	(851)	(2,529)	(1,848)
Business transaction				(1,566)
Payment of balances of purchase price			(217)	(232)
Acquisition of other intangible assets	(22)	(15)	(198)	(68)
Advance (Note 14)	(188)		(188)	
<b>Cash flows related to investing activities</b>	<b>(1,891)</b>	<b>(866)</b>	<b>(3,132)</b>	<b>(3,714)</b>
<b>FINANCING ACTIVITIES</b>				
Variation in bank indebtedness	180	(10)	180	(390)
Long-term borrowings				1,700
Repayment of long-term borrowings	(1,147)	(72)	(3,178)	(161)
Lease inducements			46	45
Issuance of shares or units pursuant to exercise of options	233		381	123
Interest paid	(61)	(78)	(169)	(139)
Other financial expenses paid, net of interest revenues	(12)	(13)	(23)	(30)
Distributions and dividends paid	(1,508)	(501)	(1,508)	(2,057)
Current tax related to dividends paid (Note 10)				(185)
<b>Cash flows related to financing activities</b>	<b>(2,315)</b>	<b>(674)</b>	<b>(4,271)</b>	<b>(1,094)</b>
<b>Net decrease in cash</b>	<b>(1,268)</b>	<b>(378)</b>	<b>(914)</b>	<b>(605)</b>
Cash, beginning of period	1,850	612	1,496	839
<b>Cash, end of period</b>	<b>582</b>	<b>234</b>	<b>582</b>	<b>234</b>

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

# Consolidated Balance Sheets

Unaudited - In thousands of Canadian dollars

	June 25, 2011	Dec. 25, 2010	Jan. 1, 2010
	\$	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	582	1,496	839
Receivables	1,234	954	913
Income taxes and tax credits receivable	31		146
Inventory	7,737	7,412	7,416
Prepaid expenses	744	453	359
<b>Total current assets</b>	<b>10,328</b>	<b>10,315</b>	<b>9,673</b>
Advances (Note 14)	218	30	80
Property and equipment (Note 7)	18,214	17,138	17,336
Tradename	2,500	2,500	2,500
Goodwill	5,958	5,958	5,958
Deferred income taxes	5,828	7,187	
Other intangible assets (Note 8)	2,461	2,730	2,150
<b>Total assets</b>	<b>45,507</b>	<b>45,858</b>	<b>37,697</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank indebtedness	180		1,660
Accounts payable, accrued liabilities and provisions	9,221	8,471	7,570
Dividends and distributions payable (Note 9)	1,515		496
Income taxes payable		22	92
Instalments on long-term debt	432	503	1,162
<b>Total current liabilities</b>	<b>11,348</b>	<b>8,996</b>	<b>10,980</b>
Long-term debt (Note 11)	7,252	10,526	7,321
Deferred lease inducements, tax credits and rent	2,577	2,639	2,655
Deferred income taxes			179
<b>Total liabilities</b>	<b>21,177</b>	<b>22,161</b>	<b>21,135</b>
<b>EQUITY (Note 12)</b>			
Class A common shares	22,218	21,803	
Fund units			13,655
Exchangeable shares			7,989
Contributed surplus	1,305	1,290	1,223
Retained earnings (deficit)	757	569	(6,335)
Equity attributable to the shareholders of New Look or unitholders of the Fund	24,280	23,662	16,532
Non-controlling interest	50	35	30
<b>Total equity</b>	<b>24,330</b>	<b>23,697</b>	<b>16,562</b>
<b>Total liabilities and equity</b>	<b>45,507</b>	<b>45,858</b>	<b>37,697</b>

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

## Changes in Equity

For the 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - In thousands of Canadian dollars

	Class A common shares \$	Contributed surplus \$	Retained earnings (deficit) \$	Shareholders' equity \$	Non- controlling interest \$	Total equity \$
Balance at December 25, 2010	21,803	1,290	569	23,662	35	23,697
Net earnings			3,211	3,211	15	3,226
	21,803	1,290	3,780	26,873	50	26,923
Equity-based compensation		49		49		49
Shares issued pursuant to the exercise of options						
Paid in cash	381			381		381
Transfer from contributed surplus	34	(34)				
Dividends on Class A common shares (Note 9)			(3,023)	(3,023)		(3,023)
Transactions with shareholders and unitholders	415	15	(3,023)	(2,593)		(2,593)
<b>Balance at June 25, 2011</b>	<b>22,218</b>	<b>1,305</b>	<b>757</b>	<b>24,280</b>	<b>50</b>	<b>24,330</b>

	Class A common shares \$	Fund units \$	Exchangeable shares \$	Contributed surplus \$	Retained earnings (deficit) \$	Unitholders and shareholders' equity \$	Non- controlling interest \$	Total equity \$
Balance at January 1, 2010		13,655	7,989	1,223	(6,335)	16,532	30	16,562
Net earnings					9,084	9,084	15	9,099
Tax related to dividends on exchangeable shares (Note 10)								
Current tax					(185)	(185)		(185)
Future tax					169	169		169
		13,655	7,989	1,223	2,733	25,600	45	25,645
Fund units issued pursuant to the exercise of options								
Paid in cash		123				123		123
Transfer from contributed surplus		19		(19)				
Exchange for Class A common shares	21,786	(13,797)	(7,989)					
Equity-based compensation				47		47		47
Distributions to unitholders					(689)	(689)		(689)
Dividends on exchangeable shares					(888)	(872)		(872)
Transactions with shareholders and unitholders	21,786	(13,655)	(7,989)	28	(1,577)	(1,391)		(1,391)
<b>Balance at June 26, 2010</b>	<b>21,786</b>			<b>1,251</b>	<b>1,156</b>	<b>24,209</b>	<b>45</b>	<b>24,254</b>

See Note 12 for other information on equity.

See Note 15 for a reconciliation of equity under previous GAAP to IFRS.

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010

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

## 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. The Company's head office is at 1 Place Ville-Marie, Montreal, Québec, 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. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") APPLICABLE TO INTERIM FINANCIAL STATEMENTS

These condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. The policies set out below were consistently applied to all the periods presented. These financial statements 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 Company for the year ended December 25, 2010 and in consideration of the IFRS transition disclosures included in Note 15 to these financial statements. Further information considered material to the understanding of the Company's interim financial statements and which is normally included in the annual financial statements prepared in accordance with IFRS is provided in Notes 14.8 and 15 to the interim financial statements for the quarter ended March 26, 2011.

### 2.2 BASIS OF PRESENTATION

#### Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for foreign currencies foreign exchange contracts which are measured at fair value, as explained in the accounting policies below.

#### Continuity of interests method following the corporate conversion in March 2010

The conversion steps of the Fund to a corporation in March 2010 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.

#### 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 an entity over which New Look has the power to govern the financial and operating policies without owning shares of this entity. The non-controlling interest presented in the consolidated financial statements refers to the share of net earnings and net assets not held by the Company. All inter-entity transactions and balances have been eliminated.

#### Year-end and interim accounting periods

The year-end of the Company is the last Saturday of December and its interim accounting periods ends the last Saturday of March, June and September. The year-end of the Fund was December 31.

As former New Look had already adopted the last Saturday of March, June and September as the end of its accounting periods, the comparative figures in the interim statement of earnings reflect the same number of days in 2011 as in 2010. However, the 2011 fiscal year will have 53 weeks while the 2010 fiscal year had 52 weeks.

#### Accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies. The judgements, estimates and assumptions are based on historical experience, management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. Key areas where judgements, estimates and assumptions are significant to the financial statements are as follows:

- *Allowance for obsolete and slow moving inventories.* The Company estimates an allowance for obsolete and slow moving inventories based on the age of the inventories and historical experience.
- *Useful life of property, equipment and intangible assets.* Property, equipment and intangible assets, except tradename and goodwill, are amortized over their respective useful life. The estimation of useful lives of property and equipment is based on historical experience and assumptions related to obsolescence caused by new technologies and the Company's objectives of using state-of-the-art equipment and of presenting fashionable stores. The estimates of useful lives of property and equipment are provided in the section *Depreciation* below. The estimation of the useful life of application software programs is based on historical experience, the annual maintenance and updating services, and the reputation of the supplier. The estimation of the useful life of customers relationships acquired is based on an analysis of sales experience of the vendor and the Company's estimated capacity to reach such customers.
- *Provisions.* The provision related to product warranties is estimated based on historical experience.
- *Assumptions in applying the Black-Scholes method for the determination of equity-based compensation related to options granted.* The method requires assumptions regarding expected values such as: duration of the options, percentage of the options which will not be exercised, volatility

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

of the Company shares, and dividends. These values are based on information known to management at the time the options are granted. It includes historical experience, financial performance of the Company, development plans of the Company, and economic environment.

- *Asset impairment.* Asset impairment tests, described below, require measuring the recoverable amount of certain assets. For this purpose, management has to make assumptions such as discounted future cash flows derived from the use of assets. Historical data and development plans are the prime sources of information used in these circumstances.
- *Income taxes.* The calculation of income tax expense and, consequently, the deferred income tax asset or liability requires determining factors such as the deductibility of expenses, the restrictions in deductibility if any, the rate of depreciation when applicable, the eligibility of certain expenses to tax credits, and the possibility to use carried-forward tax losses. For the purpose of these calculations, management exercises judgements by using past experience and the services of tax experts. The effects of tax assessments differing from the Company's calculations could be material.

## Segment reporting

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

## Revenue recognition

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

- The Company has transferred to the customer the significant risks and rewards of ownership of goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Research and development

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

## Tax credits

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

Tax credits related to the acquisition of long-term assets are deferred and recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Tax credits that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

## Foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is also the functional currency. Monetary assets and liabilities in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. 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 comprises net earnings and items of income and expenses that are not recognized in profit or loss as required or permitted by IFRS. Management's determination was that the only component of comprehensive income for the year ended December 25, 2010 and the period ended June 25, 2011 was net earnings.

## Net earnings per share or unit

Basic net 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 for a period are calculated assuming that all dilutive stock options are exercised and that the proceeds obtained on the exercise of these options would be used to 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 instruments

The carrying value of financial instruments depends on their classification. Financial instruments carried at fair value through earnings are initially measured at fair value. Other financial instruments are initially measured at fair value plus transaction costs.

### *Financial instruments carried at fair value through earnings*

Foreign currencies and foreign exchange contracts are currently the only instruments of the Company carried at fair value through earnings. Any difference in fair value of these instruments and transaction costs are reflected in earnings. Depending on market conditions, foreign exchange contracts represent an asset or a liability. The Company does not use hedge accounting.

### *Loans and receivables*

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less a provision for impairment when applicable. The initial amount recognized corresponds to the fair value of the instrument plus transaction costs. Discounting is omitted where the effect is immaterial. This category is currently essentially composed of trade and other receivables.

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## Financial liabilities

Bank indebtedness, accounts payable and accrued liabilities, excluding foreign exchange contracts, dividends and distributions payable and long-term debt are measured initially at fair value plus transaction costs. They are measured subsequently at amortized cost using the effective interest method and the gains and losses resulting from their subsequent measurement are recognized in net earnings. Fees related to the annual review of the credit facilities are also recognized in net earnings.

## 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 assets 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 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.

## Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first in first out method. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

## Property and equipment

Property and equipment are carried at acquisition cost less subsequent depreciation and impairment losses. Costs less residual value of property and equipment are depreciated 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	Straight line	Lease term including periods under option, maximum 10 years

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

## Tradename

The tradename New Look is recorded at cost and is not amortized. It is subject to asset impairment testing described below. Management considers that the tradename is closely linked to the existence of the Company and consequently has an indefinite useful life.

## Other intangible assets

Other intangible assets include acquired application software and intangible assets acquired with the purchase of businesses or otherwise, such as lease contracts acquired under favourable conditions, customer relationships, non-competition agreements, distribution licenses, and other contractual agreements. They are accounted for at cost less subsequent amortization and impairment losses. 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. Residual value, amortization methods and useful lives are reviewed at least annually. In addition, they are subject to impairment testing described below.

## 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 and is carried at cost less impairment losses. Goodwill is subject to asset impairment described below.

## Non-financial asset impairment

At the end of each reporting period, the Company reviews the carrying amounts of its property, equipment and other intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

For the purpose of impairment testing, goodwill acquired in previous business combinations is allocated to all cash-generating units as a group, i.e. the store network, as the network is expected to benefit from the synergies of these combinations. Goodwill is tested for impairment annually, or more frequently when there is indication that the store network may be impaired.

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

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

An impairment loss for a cash-generating unit is charged pro rata to the carrying amount of assets in the cash-generating unit. Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

As at December 25, 2010 no impairment of the tradename and the goodwill was necessary. As at June 25, 2011 and December 25, 2010, there were no events or changes in circumstances that would indicate that the carrying amount of the other above-mentioned assets may not be recoverable.

## Provisions

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date. Current provisions are not discounted as time value of money is not material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

## 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 to acquire shares of the Company granted to key employees, officers and directors are measured at the fair value of the options at the grant date using the Black-Scholes option pricing model.

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

## Income taxes

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

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

Deferred income tax assets and liabilities are determined according to temporary differences between the carrying amount of assets and liabilities and their tax bases, deferred tax losses and deferred tax credits. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax assets and liabilities are calculated, without discounting, at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The effect of a change in tax rates on deferred income tax assets or liabilities is recognized in earnings in the period in which the change occurs.

Deferred tax assets are recognized to the extent that it is probable that they will be utilized to reduce future income taxes. Deferred tax liabilities are always provided for in full.

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

## Taxes related to dividends on exchangeable shares

Taxes related to dividends paid on exchangeable shares 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 in March 2010. See details in Note 10.

## 2.3 IFRS ISSUED BUT NOT YET EFFECTIVE

The International Accounting Standards Board has issued the following amendments, revisions and new IFRS that are not yet effective as of June 25, 2011:

- IFRS 1, *First-time Adoption of International Financial Reporting*. Amendments regarding severe hyperinflation and removal of fixed dates for first-time adopters, applicable for annual periods beginning on or after July 1, 2011, earlier application being permitted. In management's view, these amendments will have no impact on the Company's financial statements.
- IFRS 7, *Financial Instruments*. Amendments regarding disclosures for transferred financial assets that are not derecognized and for any continuing involvement in a transferred asset. Amendments are applicable for annual periods beginning on or after July 1, 2011, earlier application being permitted. Management will apply these amendments in the next fiscal year beginning January 1, 2012. At this time, management believes that these amendments will have a very limited impact on the Company's financial statements.

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010

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

- IFRS 9, *Financial Instruments*. This is a new standard replacing current IAS 39, *Financial Instruments: recognition and measurement*. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The standard is applicable for annual periods beginning on or after January 1, 2013, earlier application being permitted. At this time, management believes that the new standard will not have a significant impact on the Company's financial statements and does not intend to early apply the new standard.
- IAS 12, *Income taxes*. Amendments regarding deferred tax in relation with the recovery of underlying assets. Amendments are applicable for annual periods beginning on or after January 1, 2012, earlier application being permitted. Management will apply these amendments in the next fiscal year beginning January 1, 2012. At this time, management believes that these amendments will have a very limited impact on the Company's financial statements.

## 3. FINANCIAL EXPENSES, NET OF INTEREST REVENUES

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Interest on long-term debt	76	70	164	135
Interest on bank indebtedness and other interest (recovery)	(15)	8	5	4
	61	78	169	139
Financing fees	12	15	23	32
Interest revenues	(1)	(1)	(2)	(2)
	72	92	190	169

## 4. UNDERLYING COMPONENTS IN CONSOLIDATED EARNINGS

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
<b>Employee remuneration expense</b>				
Salaries and social security costs	6,086	5,307	11,996	10,732
Equity-based compensation	33	40	49	47
	6,119	5,347	12,045	10,779
<b>Other components</b>				
Write-down of inventories	83	30	113	60
Loss on foreign currency translation included in cost of materials	(46)	(30)	(61)	(45)
Other gain on foreign currency translation, including :	20	22	11	15
Gain from changes in fair value of forward exchange contracts	22	47	14	31
Depreciation of property and equipment	754	766	1,483	1,497
Amortization of other intangible assets	239	218	473	308
Accretion of non-interest bearing balance of purchase price, included in interest on long-term debt	10	12	20	24

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 5. NET EARNINGS PER SHARE OR UNIT

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Net earnings attributable to shareholders of New Look or unitholders of the Fund	1,613	331	3,211	9,084
Weighted average number of units and exchangeable shares or common shares	10,060,688	10,023,732	10,045,748	10,023,430
Dilutive effect of unit options or stock options	49,340	57,361	44,612	45,278
	10,110,028	10,081,093	10,090,360	10,068,708
Basic net earnings per share or unit	0.16	0.03	0.32	0.91
Diluted net earnings per share or unit	0.16	0.03	0.32	0.90

Net earnings attributable to shareholders of New Look and unitholders of the Fund and net earnings per share or unit (basic and diluted) for the first two quarters of 2010 established under previous GAAP were \$1,147,000 and \$0.11 respectively. See Note 15.7 for more details.

## 6. UNDERLYING COMPONENTS IN CONSOLIDATED CASH FLOWS

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

	13 weeks		26 weeks	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
	\$	\$	\$	\$
Receivables	(112)	197	(281)	161
Tax credits	(122)		(45)	146
Inventory	(254)	(125)	(325)	(331)
Prepaid expenses	7	(96)	(291)	(232)
Accounts payable, accrued liabilities and provisions	(101)	(597)	691	896
	(582)	(621)	(251)	640

## 7. PROPERTY AND EQUIPMENT

	Computer equipment	Optical equipment	Other equipment, tools and signs	Leasehold improvements	Deposit to acquire equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>						
Balance as at December 25, 2010	1,157	2,368	25,469	14,052	441	43,487
Acquisitions	120	417	681	1,115	226	2,559
Balance as at June 25, 2011	1,277	2,785	26,150	15,167	667	46,046
<b>Accumulated depreciation</b>						
Balance as at December 25, 2010	699	248	18,321	7,081		26,349
Depreciation	128	115	518	722		1,483
Balance as at June 25, 2011	827	363	18,839	7,803		27,832
<b>Net carrying amount as at June 25, 2011</b>	<b>450</b>	<b>2,422</b>	<b>7,311</b>	<b>7,364</b>	<b>667</b>	<b>18,214</b>
Leased assets included in net carrying amount			110	17		127

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 8. OTHER INTANGIBLE ASSETS

	Leases \$	Application software \$	Customer relationships \$	Contractual agreements \$	Distribution license \$	Total \$
<b>Gross carrying amount</b>						
Balance as at December 25, 2010	537	925	755	748	1,019	3,984
Acquisitions		126	76	2		204
Balance as at June 25, 2011	537	1,051	831	750	1,019	4,188
<b>Accumulated amortization</b>						
Balance as at December 25, 2010	149	324	230	170	381	1,254
Depreciation	26	70	82	43	252	473
Balance as at June 25, 2011	175	394	312	213	633	1,727
<b>Net carrying amount as at June 25, 2011</b>	<b>362</b>	<b>657</b>	<b>519</b>	<b>537</b>	<b>386</b>	<b>2,461</b>

## 9. DIVIDENDS

The Company declared a dividend of \$0.15 per Class A common share to the shareholders of record on June 21, 2011. The dividend was payable on June 30, 2011.

## 10. TAX RELATED TO DIVIDENDS ON EXCHANGEABLE SHARES

Dividends on exchangeable shares paid in 2010 caused a current tax of \$185,000 of which \$169,000 was added to deferred income tax assets and \$16,000 to deficit.

## 11. LONG-TERM DEBT

	June 25, 2011 \$	Dec 25, 2010 \$	Jan 1, 2010 \$
Bankers' acceptances under the Evergreen credit, effective rate of 3.3% (3.3% as of December 25, 2010 and 2.3% as of January 1, 2010)	7,000	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, initial fair value estimated using a discount rate of 9%	304	506	690
58,000 Class A preferred shares	58	174	
Balance of purchase price, nominal amount of \$120, without interest, annual payment of \$40 from 2011 to 2013, subject to performance conditions, initial fair value estimated using a discount rate of 7%	110	107	
9% note payable, secured by leasehold improvements payable in monthly instalments of \$7, capital and interest, maturing in May 2012	71	107	175
8.88% note payable, secured by leasehold improvements or equipment, payable in monthly instalments of \$2, capital and interest, maturing in May 2014	60	69	85
Other	81	66	238
	7,684	11,029	8,483
Instalments due within one year	432	503	1,162
	<b>7,252</b>	<b>10,526</b>	<b>7,321</b>

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 12. EQUITY

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 January 1, 2010			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 <sup>(a)</sup>				19		
			6,153,328	13,797	3,870,404	7,989
Exchange for Class A common shares	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 <sup>(a)</sup>		2				
Balance at December 25, 2010	10,026,732	21,803	-	-	-	-
Issued pursuant to exercise of options	71,000					
Paid in cash, average price of \$5.28 per share		381				
Transfer from contributed surplus <sup>(a)</sup>		34				
Balance at June 25, 2011	10,097,732	22,218	-	-	-	-

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

The carrying value of Class A common shares represents the amounts received on the issue of these shares (or shares and units replaced under previous reorganizations) and the amounts transferred from contributed surplus on the exercise of options.

The carrying value of Fund units and exchangeable shares represents amounts received on their issue (or the issue of shares replaced under previous reorganizations) and amounts transferred from contributed surplus on the exercise of options.

Contributed surplus comprises gains on repurchase of shares and amounts corresponding to equity-based compensation expenses previously recorded, net of amounts transferred to share capital on the exercise of options.

Retained earnings (deficit) include all current and prior period retained profits or loss.

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 13. OPTION PLAN

	Number	Weighted average exercise price
Outstanding at December 25, 2010	647,467	6.87
Granted	137,000	7.40
Exercised	(71,000)	5.37
Outstanding June 25, 2011	713,467	7.04

The options granted in the second quarter of 2011 vest as follows: one third after the grant date, an additional one third after the end of the first year, and the balance at the end of the second year.

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

Expected life (years)	4
Expected volatility	26%
Risk-free interest rate	2.4%
Expected annual dividends	\$0.60

The fair value of options granted in 2011 was estimated at \$0.65 per option.

## 14. RELATED PARTY TRANSACTIONS

In the second quarter of 2011, the Company made a 5% interest-bearing loan of \$188,000 to a company owned by a senior officer for a 3-year term. The Company also made an interest-free advance of \$20,000 to the officer repayable within one year.

## 15. TRANSITION TO IFRS

The Company has adopted IFRS effective December 26, 2010. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with former Canadian generally accepted accounting principles ("previous GAAP"). The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its 2011 annual financial statements. The Company's transition date to IFRS is January 1, 2010, i.e. the first day of the comparative period presented, and the Company has prepared its opening IFRS balance sheet at that date. These financial statements have been prepared in accordance with the accounting policies described in Note 2. The Company will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS on December 31, 2011. Accordingly, the opening balance sheet and financial statements for 2010 and 2011 may differ from these financial statements.

## 15.1 MANDATORY EXCEPTIONS FROM FULL RETROSPECTIVE APPLICATION

The Company has used estimates under IFRS that are consistent with those applied under previous GAAP.

## 15.2 ELECTED EXEMPTIONS FROM FULL RETROSPECTIVE APPLICATION

In preparing these consolidated financial statements in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the Company has elected the following optional exemptions from full retrospective application of IFRS:

- The Company has elected not to apply IFRS 3, *Business combinations*, retrospectively to business combinations that occurred before the date of transition, i.e. January 1, 2010. See Note 14.8 for other details.
- The Company has elected not to apply IFRS 2, *Share-based payments*, retrospectively to options vested before the transition date. Accordingly, options granted on or before November 7, 2002, for which no expense has been recognized, will not be revaluated. Options granted after this date and vested before the transition date would have been evaluated differently under IFRS without this exemption election.

## 15.3 RECONCILIATION OF EQUITY AT JANUARY 1, 2010

Management has determined that the balance sheet under IFRS at January 1, 2010 is the same as at December 31, 2009, taking into account the early adoption of certain standards equivalent to IFRS, the mandatory exceptions, and elected exemptions described above.

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 15.4 RECONCILIATION OF EQUITY AT JUNE 26, 2010

Equity reported under previous GAAP at June 26, 2010 can be reconciled to the amounts reported under IFRS as follows:

	Previous GAAP <sup>(a)</sup>	Adjustments	IFRS
	\$	\$	\$
<b>Assets</b>	46,781		46,781
<b>Liabilities</b>			
Current liabilities	10,364		10,364
Long-term debt	9,497		9,497
Deferred lease inducements and deferred rent	2,666		2,666
Deferred credit	7,952	(7,952)	
Total liabilities	30,479	(7,952)	22,527
<b>Equity</b>			
Class A common shares	21,786		21,786
Contributed surplus	1,251		1,251
Retained earnings	(6,780)	7,952	1,172
Equity of the shareholders of New Look <sup>(b)</sup>	16,257	7,952	24,209
Non-controlling interest	45		45
Total equity	16,302	7,952	24,254
Total liabilities and equity	46,781		46,781

a) The previous GAAP figures reflect an adjustment recorded at year-end of 2010 to the carrying value of future income tax assets acquired and the corresponding deferred credit.

b) The increase in equity explains as follows:

Reversal of deferred credit to earnings	\$8,285
Reversal of deferred credit amortization	<u>\$333</u>
	<u>\$7,952</u>

The 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 has removed it from the balance sheet.

## 15.5 RECONCILIATION OF EQUITY AT DECEMBER 25, 2010

Equity reported under previous GAAP at December 25, 2010 can be reconciled to the amounts reported under IFRS as follows:

	Previous GAAP	Adjustments	IFRS
	\$	\$	\$
<b>Assets</b>	45,858		45,858
<b>Liabilities</b>			
Current liabilities	8,996		8,996
Long-term debt	10,526		10,526
Deferred lease inducements and deferred rent	2,639		2,639
Deferred credit <sup>(a)</sup>	6,731	(6,731)	
Total liabilities	28,892	(6,731)	22,161
<b>Equity</b>			
Class A common shares	21,803		21,803
Contributed surplus	1,290		1,290
Retained earnings <sup>(a)</sup>	(6,162)	6,731	569
Equity of the shareholders of New Look <sup>(a)</sup>	16,931	6,731	23,662
Non-controlling interest	35		35
Total equity	16,966	6,731	23,697
Total liabilities and equity	45,858		45,858

a) The increase in equity explains as follows:

Reversal of deferred credit to earnings	\$8,285
Reversal of deferred credit amortization	<u>\$1,554</u>
	<u>\$6,731</u>

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 15.6 RECONCILIATION OF COMPREHENSIVE INCOME AS REPORTED UNDER PREVIOUS GAAP TO IFRS

### 13-WEEK PERIOD ENDED JUNE 26, 2010

Former wording under previous GAAP	Previous GAAP \$	Reclassification	Adjustments \$	IFRS \$	New wording under IFRS
Revenues	17,383			17,383	Revenues
Cost of materials, direct labour, operating, selling and administration expenses	15,535	(15,535)			
			4,412	4,412	Materials consumed, net of changes in inventory
			5,347	5,347	Employee remuneration expense
			5,794	5,794	Other operating expenses
	15,535	18		15,553	
<b>Earnings before the following items</b>	<b>1,848</b>	<b>18</b>		<b>1,830</b>	<b>Earnings before the following items</b>
Amortization	(984)			(984)	Depreciation and amortization
Financial expenses, net of interest revenues	(92)			(92)	Financial expenses, net of revenues
Equity-based compensation	(40)	40			
Net gain (loss) on foreign currency translation	22	(22)			
Cost of conversion to a corporation	(96)			(96)	Cost of conversion to a corporation
<b>Earnings before income taxes</b>	<b>658</b>	<b>18</b>		<b>658</b>	<b>Earnings before income taxes</b>
Income taxes	196	(196)			Income taxes
			5	5	Current
			191	314	Deferred
	196		123	319	
<b>Net earnings and comprehensive income</b>	<b>462</b>			<b>339</b>	<b>Net earnings and comprehensive income</b>
Net earnings and comprehensive income attributed to:					Net earnings and comprehensive income attributed to:
Non-controlling interest	8			15	Non-controlling interest
Shareholders of New Look or unitholders of the Fund	454			324	Shareholders of New Look or unitholders of the Fund
	<b>462</b>			<b>339</b>	
Net earnings per share or unit, basic and diluted	0.05			0.03	Net earnings per share or unit, basic and diluted

a) Reversal of deferred credit amortization which reduced income tax expenses under previous GAAP.

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 15.7 RECONCILIATION OF COMPREHENSIVE INCOME AS REPORTED UNDER PREVIOUS GAAP TO IFRS

### 26-WEEK PERIOD ENDED JUNE 26, 2010

Former wording under previous GAAP	Previous GAAP \$	Reclassification	Adjustments \$	IFRS \$	New wording under IFRS
Revenues	34,695			34,695	Revenues
Cost of materials, direct labour, operating, selling and administration expenses	30,323	(30,323)			
		8,268		8,268	Materials consumed, net of changes in inventory
		10,779		10,779	Employee remuneration expense
		11,308		11,308	Other operating expenses
	30,323	32		30,355	
<b>Earnings before the following items</b>	<b>4,372</b>			<b>4,340</b>	<b>Earnings before the following items</b>
Amortization	(1,805)			(1,805)	Depreciation and amortization
Financial expenses, net of interest revenues	(169)			(169)	Financial expenses, net of revenues
Equity-based compensation	(47)	47			
Net gain (loss) on foreign currency translation	15	(15)			
Cost of conversion to a corporation	(853)			(853)	Cost of conversion to a corporation
<b>Earnings before income taxes</b>	<b>1,513</b>	<b>32</b>		<b>1,513</b>	<b>Earnings before income taxes</b>
Income taxes	366	(366)			Income taxes
		6		6	Current
		360	333 <sup>(a)</sup>	693	Deferred
			(8,285) <sup>(b)</sup>	(8,285)	Adjustment related to corporate conversion
	366		(7,952)	(7,586)	
<b>Net earnings and comprehensive income</b>	<b>1,147</b>			<b>9,099</b>	<b>Net earnings and comprehensive income</b>
Net earnings and comprehensive income attributed to:					Net earnings and comprehensive income attributed to:
Non-controlling interest	15			15	Non-controlling interest
Shareholders of New Look or unitholders of the Fund	1,132			9,084	Shareholders of New Look or unitholders of the Fund
	<b>1,147</b>			<b>9,099</b>	
Net earnings per share or unit, basic and diluted	0.11			0.90	Net earnings per share or unit, basic and diluted

a) Reversal of deferred credit amortization which reduced income tax expenses under previous GAAP.

b) Reversal of deferred credit as a reduction of income tax expenses. See Note 15.4.

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 15.8 RECONCILIATION OF COMPREHENSIVE INCOME AS REPORTED UNDER PREVIOUS GAAP TO IFRS

### YEAR ENDED DECEMBER 25, 2010

Former wording under previous GAAP	Previous GAAP \$	Reclassification	Adjustments \$	IFRS \$	New wording under IFRS
Revenues	70,778			70,778	Revenues
Cost of materials, direct labour, operating, selling and administration expenses	60,519	(60,519)			
		16,984		16,984	Materials consumed, net of changes in inventory
		21,637		21,637	Employee remuneration expense
		21,980		21,980	Other operating expenses
	60,519	82		60,601	
<b>Earnings before the following items</b>	<b>10,259</b>			<b>10,177</b>	<b>Earnings before the following items</b>
Amortization	(3,950)			(3,950)	Depreciation and amortization
Financial expenses, net of interest revenues	(405)			(405)	Financial expenses, net of revenues
Equity-based compensation	(88)	88			
Net gain (loss) on foreign currency translation	6	(6)			
Cost of conversion to a corporation	(853)			(853)	Cost of conversion to a corporation
<b>Earnings before income taxes</b>	<b>4,969</b>	<b>82</b>		<b>4,969</b>	<b>Earnings before income taxes</b>
Income taxes	207	(207)			Income taxes
		6		6	Current
		201	1,554 <sup>(a)</sup>	1,755	Deferred
			(8,285) <sup>(b)</sup>	(8,285)	Adjustment related to corporate conversion
	207		(6,731)	(6,524)	
<b>Net earnings and comprehensive income</b>	<b>4,762</b>			<b>11,493</b>	<b>Net earnings and comprehensive income</b>
Net earnings and comprehensive income attributed to:					Net earnings and comprehensive income attributed to:
Non-controlling interest	5			5	Non-controlling interest
Shareholders of New Look or unitholders of the Fund	4,757			11,488	Shareholders of New Look or unitholders of the Fund
	<b>4,762</b>			<b>11,493</b>	
Net earnings per share or unit					Net earnings per share or unit
Basic	0.47			1.15	Basic
Diluted	0.47			1.14	Diluted

a) Reversal of deferred credit amortization which reduced income tax expenses under previous GAAP.

b) Reversal of deferred credit as a reduction of income tax expenses. See Notes 15.4 and 15.5.

# Notes to Consolidated Financial Statements

For the 13-week and 26-week periods ended June 25, 2011 and June 26, 2010  
Unaudited - Amounts in tables are in thousands of Canadian dollars, except per share or unit amounts

## 16. SUBSEQUENT EVENTS

The Company declared on July 27, 2011 a dividend of \$0.15 per Class A common share to shareholders of record on September 21, 2011. The dividend is payable on September 30, 2011 and no liability in this respect is recognized in the second quarter financial statements of 2011.



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## Contact Information

**Head Office**  
1 Place Ville-Marie, suite 3438  
Montréal, (Québec), H3B 3N6  
Tel: (514) 877-4299  
Fax: (514) 876-3956  
Website: [www.newlook.ca](http://www.newlook.ca)

**Shareholder Inquiries**  
Lise Melanson  
Tel: (514) 877-4299  
Fax: (514) 876-3956  
E-mail: [l.melanson@benvest.com](mailto:l.melanson@benvest.com)

## 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

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New Look Eyewear Inc.

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

**Claire Boulanger**  
Vice President  
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  
Professional Services and  
Human Resources  
New Look Eyewear Inc.

# QUARTERLY REPORT

Second quarter ended June 25

# 2011

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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 June 25, 2011, New Look had 10,097,732 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.