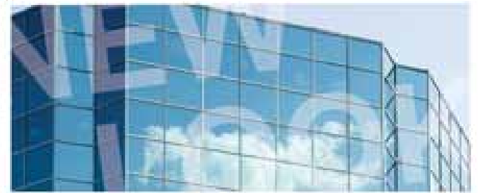
ANNUAL REPORT

For the year ended December 31, 2008

Fonds de revenu **Benvest**
NEWLOOK
Income Fund



Fonds de revenu Benvest NEWLOOK Income Fund

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Annual General Meeting of Unitholders
May 7, 2009 at 10:00 a.m.
Fairmont The Queen Elizabeth
900 René-Lévesque Blvd West
Montreal, Québec

CHAIRMAN'S MESSAGE

FOR THE YEAR ENDED DECEMBER 31, 2008

Fonds de revenu Benvest NEWLOOK Income Fund

The Benvest New Look Income Fund (the "Fund") carries on business through its principal operating subsidiary, New Look Eyewear Inc. ("New Look"), the successor company to Benvest Capital Inc. This report covers the Fund's 12-month fiscal period ending December 31, 2008.

The Fund came into existence effective May 1, 2005 when Benvest Capital was converted into an income trust. Details of the income trust conversion, the Fund, and New Look are set out in the lengthy Management Proxy Circular dated March 21, 2005 sent to Benvest Capital Inc. shareholders prior to the conversion.

Overview

In 2008, the Fund and New Look made positive progress in spite of uncertain and deteriorating economic and financial conditions. Highlights for the year were as follows:

a) New Look achieved record revenues, EBITDA[(a)], and net earnings from eye care. Revenues increased by 8%, EBITDA by 5%, and net earnings by 16% over last year.

b) As a result of this and its sound financial position, during the year, the Fund was able to increase its monthly rate of distributions (and dividends on exchangeable shares).

c) Monthly distributions for January to July 2008 were at an annual rate of $0.625 per unit. In August, the monthly rate was increased to an annual rate of $0.65 per unit.

d) This is the fifth increase in the distribution rate since the inception of the Fund in May 2005 and represents a 44% increase over the initial rate. The dividends on exchangeable shares were also increased for the corresponding periods after taking into account appropriate adjustments.

e) While the 2008 trading range for the Fund units has declined reflecting overall market conditions, it still continues to outperform the relevant TSX indices.

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

Unit trading performance

From January 1, 2008 through December 31, 2008, the Fund's units traded in the range of $5.25 to $7.84 and closed at $5.49 per unit in December. The weighted average trading price was $6.23. This compares to 2007 when the trading range was $5.80 to $8.15 and closed at $7.25 and the weighted average trading price was $6.70 per unit. The decline was due to overall negative market conditions caused principally by the credit crunch in capital markets in 2008. Trading values of small cap equities and unit trusts, in spite of individual performance, were particularly badly impacted on the TSX.

In spite of this, since the Fund's inception in May 2005, the trading performance of its units (BCI.UN) on the TSX has significantly outperformed relevant TSX indices, including the composite (ISPTX), the income trust (IRTCM), and the small cap indices (TSP20).

Outlook

The objective of the Fund going forward is to continue to build the revenues and profitability of New Look. This will result, when achieved, in a growing enterprise value for the underlying business as well as increased distributions to unitholders. We continue to be strong believers in the eye care business in Québec and Canada and are looking forward to growing the business successfully in other regions in Canada.

As noted last year, in 2007 the federal government legislated new tax rules for income trusts which translated into law the intention of the federal government to tax publicly-traded income trusts on distributions paid to unitholders which are derived from "non-portfolio earnings". These earnings include interest income from New Look but not dividends. Trusts existing at October 31, 2006, including the Fund, benefit from a grandfathering clause. Under the new rules, the Fund will be taxed beginning in 2011 at the corporate rate on non-portfolio earnings distributed to unitholders.

Income trusts will be affected differently by this legislation depending upon their internal financial structure. The Fund will be less impacted than some other income trusts because a significant amount of its distributions are already characterized as dividends (32% in 2008) and not as non-portfolio earnings, the latter being subject to the new taxes. In addition, all future distribution increases by the Fund are likely to consist of dividends. We currently estimate that the additional tax costs to be borne by the Fund beginning in 2011 related to the new rules will represent approximately $0.12 per unit per year. However, it should be noted that individual unitholders residing in Canada who hold the units in taxable accounts will benefit from dividend tax credits on distributions from "non-portfolio earnings", which may in certain instances compensate to a large extent any future reduction in distribution caused by the new tax.

On March 4, 2009, the House of Commons adopted Bill C-10 which provides for the conversion of "specified investment flow through" trusts, such as the Fund, into corporations without adverse tax consequences to investors. At this point in time, there are no plans to convert the Fund into a common share corporation prior to 2011. We are monitoring the situation on an ongoing basis with our advisors.

Management team

As noted earlier, the Fund and New Look had another strong year considering overall economic and market conditions. Congratulations are due to the management team led by Martial Gagné, Jean-Luc Deschamps, Mario Pageau, Claire Boulanger, France Reimnitz, and Caroline Rouleau. Also, special thanks to all our 564 employees who contribute, each of them in their day-to-day work, to the continuing success of New Look.

Finally, a special thanks to Emmett Pearson, Chairman of New Look Eyewear Inc., and the other members of the Board of Trustees for their continuing support, guidance, and advice.

We are confident New Look will continue its positive progress in 2009 in spite of difficulties in the economy as a whole.

W. John Bennett
Chairman and Trustee
Benvest New Look Income Fund

March 18th, 2009
Montreal, Québec

a) *EBITDA refers essentially to earnings before interest, income tax and amortization. EBITDA does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other entities. The Fund believes that EBITDA is a useful financial metric as it assists in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP. Refer to the Management's Discussion & Analysis section for more details.*

PRESIDENT'S MESSAGE

FOR THE YEAR ENDED DECEMBER 31, 2008

The year 2008 has been my first year as President of New Look Eyewear Inc. ("New Look"), the operating subsidiary of Benvest New Look Income Fund and I am pleased and proud to report record revenues, EBITDA[a], and net earnings from eye care. New Look continues to lead the market in Québec and Eastern Ontario, offering a selection of products at competitive prices and providing exceptional professional services that contribute to our customers' satisfaction and to our enviable reputation. These ingredients are integrated in our corporate values and are fundamental to the improvement of our revenues and consequently, financial performance.

Total revenues and profitability

Revenues for the 2008 year increased to $62.9 million, an increase of 8% compared to last year. EBITDA was $10.5 million, a record for a fiscal year and an increase of 5% compared to last year. Net earnings for 2008 were $5.2 million, an increase of 16% compared to last year and a record when compared to net earnings from eye care in previous years. Economies of scale have been contributing to reduce, as a percentage of revenues, the administration and distribution centre costs while increasing the contribution of our laboratory operation. As a result, despite a slower growth in revenues in the last quarter of the year, EBITDA expressed as a percentage of revenues remained in the 17% range for the fiscal year.

Store network development and growth strategy

New Look invested $4.8 million in 2008 in the renovation of seven stores, the addition of four new stores (including an acquisition), the purchase of state-of-the-art eye care equipment to be used by our eye care professionals and in back office systems. Our eyewear store network development is almost complete in the urban markets of Québec. Our expansion plan consists of further developing, by way of acquisitions, the store network in smaller markets where the offer of optical services and products can be enhanced in Québec and in increasing our overall network in Eastern Ontario. Concurrently, efforts will continue to increase traffic in our stores and eye exam capacity and in increasing New Look's market share in these markets.

Product innovation and unique laboratory expertise

During 2008, we continued to develop and benefit from the previous year's major innovation in digital progressive lenses: the Evolution HD ™ and Ultra Evolution HD ™ lenses. This HD technology is one of the most significant developments in progressive lenses in recent years in the industry and offers New Look's customers clearer lenses and improved vision. New Look has been one of the leaders worldwide in successfully adopting and marketing this new digital technology. This has been possible due to the fact that New Look has one of the most advanced eyewear laboratories in North America and is thereby in complete control of quality and customer service. The laboratory, combined with the other strong elements of our value chain, confirm New Look's leadership position in Québec and Eastern Ontario.

New Look success – a team effort

I would like to thank my management team as well as all our employees and independent optometrists, for their valuable contributions. Special thanks also to Emmett Pearson, my predecessor, who continues to be an excellent mentor.

Even if economic times are more difficult and unstable, we strongly believe that New Look will continue its leadership and maintain its high standards of professional services from its team of optometrists and opticians. This should allow us to maintain our operating and financial performance in these unusual times. As our advertising campaign says, we have a bright outlook for 2009!

Martial Gagné, CMA
President
New Look Eyewear Inc.

March 18th, 2009
Montreal, Québec

a) *EBITDA refers essentially to earnings before interest, income tax and amortization. EBITDA does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other entities. The Fund believes that EBITDA is a useful financial metric as it assists in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP. Refer to the Management's Discussion & Analysis section for more details.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fonds de revenu **Benvest**
NEWLOOK
Income Fund

For the year ended December 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fonds de revenu Benvest NEWLOOK Income Fund

FOR THE YEAR ENDED DECEMBER 31, 2008
In thousands of dollars, except per unit amounts

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

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

This MD&A provides prospective data, comments and analysis wherever appropriate to assist readers in viewing the business from a corporate management's point of view. The purpose of this MD&A is to provide a better understanding of our activities and should be read in conjunction with the annual consolidated financial statements and related notes thereto.

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

Additional information relating to the Fund and New Look can be found on the website www.newlook.ca or via www.benvest.com. The Fund's continuous disclosure materials and the disclosure materials of Benvest, including its annual and quarterly MD&A, annual and quarterly financial statements, annual information forms, proxy solicitation and information circulars and various press releases issued by Benvest and the Fund are also available directly through SEDAR system at www.sedar.com.

Description of activities

New Look is a leading provider of eye care products and services in Eastern Canada. As of December 31, 2008, its network consisted of 61 eye care stores: 55 are located in the major cities of the province of Québec and six serve the Ottawa area in Ontario. The Company is the only eyewear retailer in Eastern Canada to operate a complete eyewear transformation laboratory which is located in Ville St-Laurent, Québec.

New Look sells its products and services through its corporate-owned retail stores.

2008 Overview

In the 2007 Annual Report, management mentioned commitments to open six new stores and to proceed with the relocation or major renovations of seven existing stores in 2008. New Look actually opened four stores in 2008, including the acquisition of a practice, two openings being deferred to 2009 and one cancelled. The relocation and the renovations were completed in 2008 as planned.

During the year 2008, eye care operations generated $10.5 million of EBITDA (see definition below). Net earnings increased by $722 or 16% compared to last year to reach $5.2 million.

New Look continued to focus on its expansion plan, examining potential sites or acquisitions to accelerate growth. The Company invested $6.5 million in capital expenditures, business acquisitions, inventory and start-up costs.

The highlights of investments can be summarized as follows:

- Addition of a store on the south shore of Montreal in the power centre known as Quartier Dix/30,
- Addition of a store in Ottawa,
- Addition of a store in Gatineau,
- Acquisition of a practice in Joliette,
- Substantial construction of another store in Ottawa opened in January 2009,
- Major renovations to seven stores,
- Addition of equipment in our laboratory,
- Updating of optical equipment in many stores, and
- Second phase of implementation of an ERP system.

These investments were partly financed through long-term borrowings of $2.3 million.

Due to strong cash flow and sound financial position, the Fund has increased its monthly distribution, expressed on an annualized basis, to $0.65 per unit, beginning with the month of August 2008.

Selected annual information

	2008 $	2007 $
Revenues from eye care	62,869	58,218
EBITDA [(a)]	10,486	10,023
Net earnings	5,159	4,437
Net earnings per unit		
Basic	0.53	0.46
Diluted	0.52	0.45
Cash flows from operating activities	8,413	8,428
Purchase of property and equipment	4,560	5,556
Business acquisitions	275	819
Long-term debt borrowings	2,336	4,523
Repayment of long-term debt	1,135	1,295
Cash distribution per unit [(b)]	0.64	0.61
Distributions, dividends and related taxes	6,543	6,180
At year-end		
Total assets [(c)]	38,799	34,686
Long-term debt [(d)]	7,906	6,415
Number of stores	61	57

(a) Refer to the section EBITDA below for a definition and comments on EBITDA.
(b) The distribution has been paid monthly since the inception of the Fund in May 2005.
(c) The increase in total assets in 2008 compared to 2007 reflects mainly the addition and the renovation of stores.
(d) The amount of long-term debt includes the portion repayable within one year.

Results of operations

Revenues from eye care

Total revenues increased by 8% compared to last year, 5% being attributable to comparable stores, i.e. stores opened before 2007. The difference of 3% is due to the net addition of 9 stores since the beginning of 2007.

Management attributes the increase in the number of eyeglasses sold to a sustained and ever improving offer to consumers of our care services and products. Such offer includes high quality products such as the Evolution HD™ and Ultra Evolution™ lenses launched in 2007 and continuous attractive promotions.

Cost of sales

The cost of sales can be summarized as follows:

	2008 $	2007 $
Amounts included in cost of materials, direct labour, selling and administration expenses	27,942	25,877
% of revenues	*44.4%*	*44.4%*
Amounts included in amortization	940	1,772
	28,882	27,649

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

The ratio of cost of materials, direct labour and operating expenses to revenues remained the same in 2008 as in 2007. Gains in production costs attributable to the new technology used were realized but they were absorbed by higher promotions and higher costs of professional services. As the Canadian dollar was generally strong vis-à-vis the US dollar (US $ averaged CA$1.067), this contributed in maintaining favourable costs of imported components.

The amortization component of cost of sales decreased in 2008 compared to last year following a revision of the useful lives of fixed assets in 2008.

Other operating expenses

Other operating expenses include occupancy costs, selling and general expenses of stores as well as marketing and administration expenses, which also include occupancy costs; amortization is dealt with separately. All these other operating expenses, expressed as a percentage of revenues, remained the same as last year. This is the overall result of certain economies of scale, as with the occupancy costs and the marketing expenses, counterbalanced by increased sales promotions. The increase in occupancy costs is tempered due to the adopted accounting policy which requires rents to be charged to expenses on a straight-line basis over the lease term.

EBITDA

EBITDA is defined as earnings before interest income and expenses, income taxes and amortization. It excludes any gain or loss on foreign currency translation (except if related to cost of goods sold), net gains or losses related to portfolio investments, and equity-based compensation expense, and non-controlling interest.

EBITDA does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other entities. The Fund believes that EBITDA is a useful financial metric as it assists in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP. The reconciling items between net earnings and EBITDA are as follows:

	2008 $	2007 $
Net earnings	5,159	4,437
Amortization	3,426	3,614
Financial expenses, net of interest revenues	589	583
Equity-based compensation	126	134
Gain on foreign exchange	(14)	(126)
Expenses related to portfolio investments	42	369
Income taxes	1,147	981
Non-controlling interest	11	31
EBITDA	10,486	10,023
Increase in $	*463*	
Increase in %	*4.6%*	
% of revenues	*16.7%*	*17.2%*

The ratio of EBITDA to revenues decreased in 2008 compared to last year due to the impact of promotions to consumers, higher costs of professional services and fixed operating costs of most recently opened stores not having reached maturity. Nevertheless the dollar amount of EBITDA increased by close to $0.5 million.

Amortization

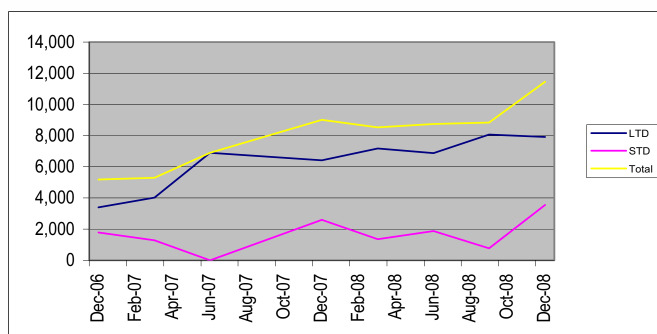
Amortization expense decreased from $3.6 million in 2007 to $3.4 million in 2008. On one hand, amortization expense increased due to the addition of nine stores, the major renovation of 15 stores, and other acquisitions such as an ERP system, over 2007 and 2008. On the other hand, following the revision of the useful life of fixed assets, it was determined that the useful life of certain assets was longer than initially estimated. For instance, leasehold improvements were previously amortized over a maximum of seven years; under the revised policy, such expenditures can be amortized up to ten years. In accordance with the CICA Handbook, the change in amortization was applied prospectively, beginning with the second quarter of 2008. The impact of the revised estimates of useful lives was a reduction in amortization expense of $447 in 2008 while the reduction in amortization for a full year is estimated at $596.

Financial expenses, net of interest revenues

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

	2008 $	2007 $
Interest on long-term debt	439	420
Interest on bank indebtedness and other interests	107	111
Financing fees	52	101
	598	632
Interest revenues	9	49
	589	583

The following graph shows the balances of long-term debt ("LTD") and short-term bank indebtedness ("STD"), and the total of both over the last two years.



Long-term borrowings and balances of purchase price since the beginning of 2007 totalled $7.1 million while the repayment of long-term debt totalled $2.4 million. Although there was a general increase in debt over the last two years, the increase in interest expenses was tempered by a decrease in interest rates, including the prime rate on which interest is based for most part of the long-term debt. As an illustration, the average prime rate was 6.13% in 2007 and 4.49% in 2008.

Financing fees relate mainly to standby fees and the renewal of the credit facilities which can reach $14 million.

Interest revenues in 2008 were not significant since cash generated by the operations was invested in fixed assets, distributed or used to repay debt.

Gains and losses 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. The main elements of these assets and liabilities on December 31, 2008 were as follows:

- Cash — USD 24
- Escrowed proceeds from the sale of a portfolio investment — USD 891
- Term loan — USD 520
- Accounts payable — USD 661
- Accounts payable — EUR 64

The currency risk is mitigated by the counterbalancing effect of the US-dollar denominated asset and the US-dollar denominated debt. The US-dollar term loan is scheduled to be fully repaid in 2009. The escrowed proceeds are expected to be received in 2009, although there is no certainty about that. Accounts payable in foreign currencies are usually paid within a short period of time, which limits the exposure to exchange risk.

Income taxes

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

The consolidated income tax expense of $1,147 ($981 in 2007) relates essentially to New Look. The average tax expense for 2008 represented 18.2% of earnings before income taxes. The corresponding rate for 2007 was 18.0%. The slight increase in the average consolidated tax rate is a normal result as the tax benefit from the income trust structure does not increase with the increase in earnings.

Change announced for 2011

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

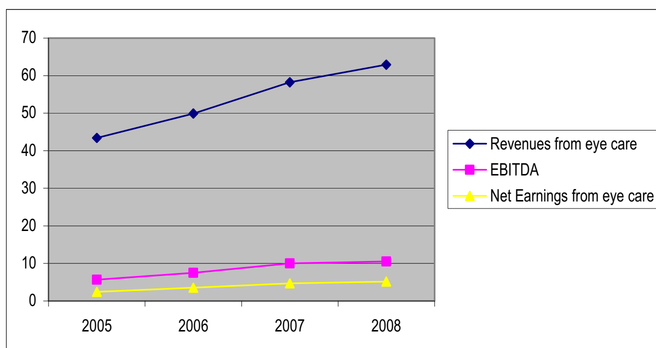
Management has evaluated that only unitholders will be affected by the new tax rule which would reduce in 2011 and thereafter their distribution by approximately $0.12 per unit per year. Dividends to holders of exchangeable shares should not be affected by the new rule. It must also be understood that unitholders who are individuals residing in Canada will benefit from dividend tax credits, which will compensate to a large extent any future reduction in distribution caused by the new tax. It will in the interest of such individuals to seek independent tax advice to measure the real impact on them.

Distributions made in 2008 had a dividend content of 32% in 2008 (28% in 2007). The new rule will have no impact on the dividend content of a distribution.

Net earnings

Up to the 2007 fiscal year, net earnings were segregated into two segments: the eye care segment and the "other segment" which related to former portfolio investment activities. Beginning with the 2008 fiscal year, net earnings are considered to be wholly related to eye care, although some expenses were still related to former portfolio investments.

The progress of revenues, EBITDA and net earnings from eye care for the last four years can be shown as follows:



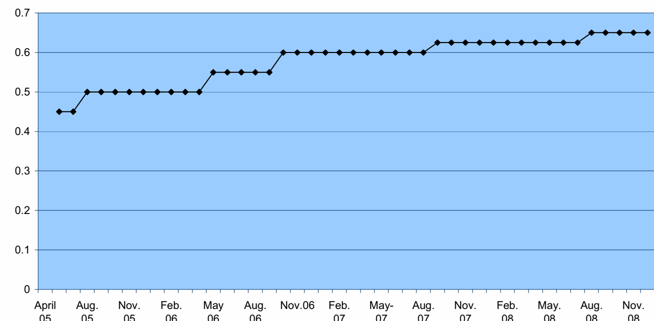
As the table shows, the variation in net earnings from eye care is in line with the variation in EBITDA and revenues from eye care.

Distributions and dividends on exchangeable shares

The following table summarizes distributions and dividends declared since the inception of the Fund in May 2005:

		Distribution per Unit	Dividend per Exchangeable Share	Total Distributions and Dividends
		$	$	$
2005	8 months	0.325	0.234	2,738
2006	12 months	0.545	0.404	4,684
2007	12 months	0.611	0.466	5,332
2008	12 months	0.636	0.492	5,619

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



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

The cash dividend on each exchangeable share is approximately equivalent to the cash distribution declared on each unit less the income taxes required to be paid by New Look with respect of such dividend. In 2008, the dividends per share represented 77% of the distributions per unit. Most of the dividends were designated as "eligible" dividends, i.e. dividends giving rise to the enhanced dividend tax credit in the hands of holders who are individuals residing in Canada. Shareholders will find the necessary information on the T5 slip remitted to them.

For tax purposes, the total distribution of $0.636 per unit declared in 2008 was composed of interest income for $0.430, eligible dividend for $0.186 and other dividend for $0.020.

Tax related to dividends on exchangeable shares

Dividends on exchangeable shares are subject to a special 50% tax under Part VI.1 of the Income Tax Act (Canada). This tax is sometimes described as an "advance corporation tax" as it causes to a large extent a reduction of the corporate income tax, whether current or future. For the 2008 fiscal year, the current tax on dividends which was not offset by a corresponding reduction in current income tax expense was $946. Of this amount, $865 was added to future income tax asset, which means that the net cost of the tax for 2008 was $81 or 4.3% ($27 or 1.5% in 2007) of the dividends declared. The net cost of the tax on dividends increased in 2008 compared to 2007 due mainly to the reduction in the corporate income tax rate. Management believes that the additional disbursements caused by the tax on dividends and added to future income tax will be recovered in the future.

Fonds de revenu Benvest NEWLOOK Income Fund

Summary of quarterly results (Unaudited)

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

	March 31		June 30		September 30		December 31		12 months	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues from eye care	15,306	14,309	16,884	14,583	16,211	15,371	14,468	13,955	62,869	58,218
As a % of annual revenues from eye care	*24%*	*25%*	*27%*	*25%*	*26%*	*26%*	*23%*	*24%*	100%	100%
EBITDA	2,731	2,494	3,006	2,686	2,907	3,206	1,842	1,637	10,486	10,023
As a % of revenues from eye care	*17.8%*	*17.4%*	*17.8%*	*18.4%*	*17.9%*	*20.9%*	*12.7%*	*11.7%*	*16.7%*	*17.2%*
Gain (loss) on foreign exchange	(15)	5		78	3	41	26	2	14	126
Net earnings (loss)										
Eye care	1,232	1,188	1,563	1,307	1,433	1,601	931	558	5,159	4,654
Other segment[(a)]		8		(41)		(27)		(157)		(217)
All segments	1,232	1,196	1,563	1,266	1,433	1,574	931	401	5,159	4,437
Net earnings per unit[(b)]										
Basic	0.13	0.12	0.16	0.13	0.15	0.16	0.10	0.05	0.53	0.46
Diluted	0.12	0.12	0.15	0.13	0.14	0.16	0.09	0.05	0.52	0.45
Distribution per unit	0.156	0.150	0.156	0.150	0.161	0.154	0.163	0.156	0.636	0.611

a) Information on the "other" segment is no longer presented beginning with the first quarter of 2008.
b) Net earnings per unit for 12 months may not correspond to the total of quarterly net earnings per unit, as a distinct calculation is made for each quarter or 12-month period.

This table shows that revenues increased each quarter of 2008 compared with the corresponding quarter of 2007, except for the third quarter of 2007 which had a record-high performance. Net earnings from eye care reflected these variations.

Fourth quarter of 2008

Revenues for the fourth quarter of 2008 increased by $513 or 3.7% compared with the corresponding quarter of 2007. Revenues from comparable stores for the quarter were up 2.1% and EBITDA increased by $205 or 12.5% from the previous year. Finally, net earnings increased by $373 when compared to net earnings from eye care in 2007.

The consolidated results of the Fund for the fourth quarter of 2008 reflect the following recordings:

- Favourable adjustments of income tax expense; a recovery of $12 was recorded on pre-tax earnings of $903;
- A net charge of $81 to deficit was recorded to reflect the additional tax related to dividends on exchangeable shares not offset by a corresponding reduction in income taxes,

In the fourth quarter of 2008, New Look invested $1.7 million in capital expenditures in accordance with the plan of store development and renovations. Three new stores were opened: one in Ottawa (in the Kanata sector), one in Gatineau (in Hull sector), and one on the south shore of Montreal in the Quartier Dix/30 power centre. Construction of another store on Rideau Street in Ottawa, which opened in January 2009, began in the fourth quarter.

Overall, management believes it was a positive quarter taking into account the retail environment and general economic situation.

Liquidity

The following table shows the main elements of the statements of cash flows for the years 2008 and 2007:

	2008 $	2007 $
Operating activities	9,629	9,047
Change in non-cash working capital items	(1,216)	(619)
Cash flows from operations	8,413	8,428
Investing		
Property, equipment, business acquisitions and intangibles	(4,999)	(6,627)
Advances, net of reimbursements	(91)	3
Financing		
Variation in bank indebtedness	1,434	810
Borrowings	2,336	4,523
Repayment of long-term debt	(1,135)	(1,295)
Lease inducements	250	510
Issuance of units	388	18
Distributions and dividends	(5,597)	(5,335)
Taxes related to dividends paid	(946)	(845)
Increase in cash	**53**	**190**
Cash at beginning of period	425	235
Cash at end of period	478	425

Cash flows from operations

Cash generated from operating activities before changes in non-cash working capital items increased by 6% in 2008 compared to last year; this follows the trend of EBITDA and net earnings. The use of funds in non-cash working capital items, in the amount of $1,216 in 2008, details as follows:

	$
Increase in accounts receivable (excluding lease inducements)	(312)
Increase in income taxes and tax credits receivable	(218)
Increase in inventory (other than business acquisition)	(1,341)
Increase in accounts payable and accrued liabilities	921
Increase in income taxes payable	(255)
Other	(11)
	(1,216)

There was a general increase of inventory in stores and at the distribution centre in order to enhance the offer to the consumer. Inventory also increased due to the opening of three stores in 2008 (besides the acquisition of a practice). The increase in accounts payable and accrued liabilities reflects the growth of business and normal seasonal variations. The increase in income taxes and tax credits receivable correspond mainly to R&D tax credits actually received in the beginning of 2009 and the decrease in income taxes payable relates mainly to the payments of the balances of income taxes for 2007.

Investing activities

Investments in property, equipment, business acquisitions and intangible assets totalled $4,999 in 2008 compared with $6,627 for 2007. They relate to the following additions:

- Addition of a store on the south shore of Montreal in the power centre known as Quartier Dix/30,
- Addition of a store in Ottawa,
- Addition of a store in Gatineau,
- Acquisition of a practice in Joliette,
- Substantial construction of another store in Ottawa opened in January 2009,
- Major renovations to seven stores,
- Addition of equipment in our laboratory,
- Updating of optical equipment in many stores, and
- Second phase of implementation of an ERP system.

Last year's investments in property and equipment included the addition of five stores, major renovations to nine stores, acquisition of optical equipment in various stores, acquisition of robotized equipment in the laboratory, and the acquisition of the first phase of the ERP system.

Financing activities

In 2008, New Look borrowed $2.3 million under the "Evergreen" credit facilities and $1,434 under the operating line of credit to finance day-to-day operations. Use of the Evergreen credit was essentially triggered by capital expenditures.

Increase in long-term debt also included amounts not received in cash such a balance of purchase price of $174 related to the acquisition of a practice.

Regular repayments on the long-term debt were made as scheduled. Borrowings under the Evergreen credit facilities do not require payments of capital before 2010. Refer to section *Credit Facilities* below for more details.

Most new leases provide for the payment of inducements by the landlords to New Look. These inducements represented a source of cash of $250 in 2008 and $510 in 2007.

Issuance of units to executives who exercised options under the Executive Unit Option Plan represented cash receipts of $388 in 2008.

The distributions paid to unitholders and the dividends paid to holders of exchangeable shares in 2008 increased by $262 compared to 2007. This reflects the increase in the distribution per unit which was, on an annualized basis, $0.60 at the beginning of 2007 and $0.65 at the end of 2008.

Current taxes related to dividends on exchangeable shares increased by $101 compared to last year. Most of these taxes are recovered through current or future reduction of income taxes otherwise payable under federal and provincial legislations.

During 2008 and 2007, New Look was in compliance with all covenants in its notes payable and its obligations under capital leases.

Contractual obligations

The contractual obligations of the Fund and the consolidated entities are summarized in the following table:

	Payments due						
Contractual obligations	Total	2009	2010	2011	2012	2013	Thereafter
Long-term debt	7,848	927	783	1221	1331	1298	2288
Capital lease obligations	62	52	10				
Operating leases	42,375	6,197	6,006	5,701	5230	4702	14,539
Purchase obligations [(a)]	453	453					
Total	50,738	7,629	6,799	6,922	6,561	6,000	16,827

(a) Purchase obligations related to equipment and property only.

Capital commitments

For 2009, the overall capital expenditures and increase in inventory are budgeted to amount to over $3.5 million. The major investments relate to the commitment of New Look to open a minimum of three new stores and to proceed with major renovations to four existing stores.

Credit facilities

Credit facilities with the bank were renewed in the third quarter of 2008. The main elements of these renewed facilities are summarized as follows:

- An operating line of credit to finance day-to-day operations which can reach $4 million, depending on the value of inventory and accounts receivable, at prime rate plus 0.25%, i.e. 3.75% at the end of December 2008. The former rate was prime rate plus 0.50%.

- An "Evergreen" operating credit to finance capital expenditures. The maximum Evergreen credit increased from $10 million to $12 million (less the outstanding US-dollar term loan described in (e). The first tranche of $10 million has a three-year term ending April 1, 2010 and the second tranche of $2 million has a three-year term ending December 31, 2010. Subject to the bank's approval, the term of the first tranche may be extended to December 31, 2010 and the term of the second tranche to December 31, 2011. No repayment of capital is required during the term of a tranche. Upon expiry of a term, New Look shall be required to repay the borrowed money in 48 monthly instalments.

- The variable interest rate applicable to the Evergreen credit is prime rate plus a premium varying from 0.25% to 1%, depending on the ratio of interest bearing debt to EBITDA. Formerly the rate was prime rate plus 1%. Currently, the new formula is beneficial to New Look.

- New Look may use its Evergreen credit through bankers' acceptances for fees varying from 1.25% to 2% per annum, depending on the ratio of interest bearing debt to EBITDA. Banker's acceptances will be used when management will see it appropriate.

- The current outstanding term loan denominated in US dollars, amounting to US $520 at the end of December 2008, remains repayable in monthly instalments of US $79. The interest rate decreased from US prime rate plus 1% to US prime rate plus 0.25%, i.e. 4.0% at the end of December 2008. Any payment in capital increases by the same amount the availability of the Evergreen credit, the whole to a maximum of $12 million.

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

	$
Credit used	
Amounts drawn on the operating line of credit	3,060
"Evergreen" borrowings	6,295
Term loan	629
Credit available	5,891
Total credit facilities	15,875

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

Distributable cash

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

	2008 $	2007 $
Cash flows from operations	8,413	8,428
Capital expenditures[(a)]	(4,873)	(6,375)
Non-controlling interest in net earnings	(11)	(31)
Standardized distributable cash[(b)]	3,529	2,022
Add (deduct) entity-specific adjustments:		
Financing of capital expenditures		
Long-term borrowings in the period[(c)]	2,336	4,523
Increase in short-term bank indebtedness[(c)]	1,434	810
Lease inducements[(c)]	250	508
Additional borrowings permitted but not used under banking agreements[(d)]	853	534
Adjustments in respect of financing capital expenditures	4,873	6,375
Repayment of certain debts[(e)]	(298)	(483)
Capitalized start-up costs [(f)]	(126)	(252)
Total entity-specific adjustments	4,449	5,640
Distributable cash[(g)]	**7,978**	**7,662**
Distributions and dividends paid and related taxes[(h)]		
In $	6,543	6,163
As % of distributable cash[(i)]	82%	80%

(a) Capital expenditures correspond to the purchase of property and equipment, business acquisitions and intangible assets other than start-up costs.

(b) Standardized distributable cash is defined in the guidance as the GAAP measure of cash from operating activities after adjusting for capital expenditures, restrictions on distributions arising from compliance with financial covenants restrictive at time of reporting, and minority interests.

(c) Management considers that the increase in borrowings and lease inducements were used to finance the capital expenditures.

(d) New Look had the ability under the terms of its banking agreement to finance all of its capital expenditures, but has not been required to do so, due to its strong cash flows. An adjustment has been made to standardized distributable cash to reflect this ability to finance current capital expenditures. The additional amount that New Look could have actually borrowed at the end of December 2008 and at the end of December 2007 exceeds the amounts of $1,331 and $534 shown in the table.

(e) Repayment of long-term debt deducted in the calculation of distributable cash does not include any repayment on the term loan denominated in US dollars, as such payment increases by the same amount the availability of the Evergreen credit. Calculation for 2007 was restated for this item.

(f) As capitalized pre-opening expenses cannot be financed through long-term debt, they are deducted in the calculation of distributable cash.

(g) Distributable cash is not a recognized measure under GAAP. The Fund believes that it is a useful financial measure of the periodic cash that is potentially available for distributions. The Fund's method of calculating this measure may differ from other issuers and accordingly, it may not be comparable to that used by other issuers.

(h) Distributions and dividends exclude the portion paid, if any, to non-controlling interests.

(i) The percentage of distributions and dividends, along with the related taxes, to distributable cash was established for 2007 at 90% in last year's report. Following the restatement mentioned under (e), the revised percentage is 80%.

Capacity to meet obligations

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

The balance sheets as December 31 2008 and 2007 show that the working capital, excluding cash, bank indebtedness, and the instalments on long-term debt, is a positive amount at both dates.

	2008 $	2007 $
Accounts receivable	1,136	666
Income taxes and tax credits receivable	218	
Inventory	8,297	6,857
Prepaid expenses	544	533
	10,195	8,056
Accounts payable and accrued liabilities	7,323	6,402
Distributions and dividends payable	465	442
Income taxes payable	132	387
	7,920	7,231
Net amount	2,275	825
Ratio	1.3	1.1

Considering that most sales are fully paid on delivery of eyewear, management believes that the ratios above are very satisfactory.

Regarding the long-term debt existing at December 31, 2008, a simulation of instalments of capital and interest over the next five years gives the following result:

Year	$
2009	1,479
2010	2,153
2011	2,000
2012	1,926
2013	1,841

The simulation assumes an average interest rate of 7% (the current rate is 3.75%) on the advances under the Evergreen credit and the repayment of the advances on a 48-month period starting from January 2010.

Cash flows from operating activities for 2008 were $8.4 million, which amount took into account interest expenses of $598. The comparative figures for 2007 were $8.4 million after a deduction of $632 for interest expenses. Such amounts well exceed the annual instalments in the above table.

New Look constantly maintains and updates both its store and production facilities. Out of the 61 current stores, 56 were renovated or constructed over the last five years.

Escrowed proceeds from the sale of CMN

The balance in the amount of $1,077 (US $891) of the sale price of shares of CMN International, a former portfolio investment disposed of in 2004, is held in escrow pending the settlement of a claim. A court decision favourable to CMN and indirectly to its former shareholders including New Look (as successor of Benvest) has been rendered and the claimant has appealed that decision. The appeal was heard in January 2009 but the judgement has not been released as of the date of this report. Management is confident in a favourable result and consequently, the carrying value of the escrowed proceeds was maintained at the amount actually withheld.

Critical accounting policies

Adoption of new accounting standards

New accounting standards adopted in 2008 concern the disclosure of information regarding inventories, the cost of sales, financial instruments and capital management. None of these changes had an impact on the Fund's consolidated results.

Inventories and cost of sales

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

The basic method of measuring inventories remains the same as in the past, i.e. the lower of cost and net realizable value. The implementation of a new accounting system has caused New Look to replace the former average cost method by the first in first out method.

Financial instruments and capital management

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

Change in accounting estimates

Amortization

As mentioned under the caption *Amortization*, New Look revised the useful lives of its fixed assets in 2008. It resulted that the previous estimates were too conservative. Consequently, equipment, tools, signs and leasehold improvements are now amortized over a longer period that more reflects their useful life.

Future accounting standards

Start-up costs

As mentioned in the 2007 annual MD&A, the Fund has adopted, in accordance with new recommendations of the CICA, the policy of expensing start-up costs beginning with its 2009 fiscal year and the comparative figures will then be restated retrospectively. The retrospective impact will be an increase in earnings before income taxes of $101 for 2008.

Changeover plan to International Financial Reporting Standards

The CICA announced in March 2008 that International Financial Reporting Standards ("IFRS") will become Canadian accounting standards for publicly accountable enterprises on January 1, 2011.

The Fund has established a plan in order to present its financial statements under IFRS starting from 2011. Since the comparative figures will also have to be presented under IFRS, the changeover date to IFRS will in fact be January 1, 2010. The changeover plan, commenced in 2007, includes the following:

- Designation of a person to be specifically trained on IFRS and to formally report to the chief financial officer;
- Identification of key areas that may be impacted by the transition to IFRS;
- Impact analysis, i.e. specifications of changes required to existing accounting policies, information systems and internal controls;
- Implementation, i.e. execution of changes where necessary to accounting policies, information systems and internal controls;
- Regular reporting to the Audit Committee.

Areas identified as requiring attention include the following:

- *Non-controlling interests.* Net earnings will no longer be reduced by amounts allocated to non-controlling interests and the cumulative non-controlling interests on the balance sheet will be presented in the equity section.
- *Consolidation of interests in joint ventures.* Current proportionate consolidation would be replaced by the equity method of consolidation. That means that one amount of net income from a joint venture would replace a pro rata share of revenues and expenses and one amount of investment would replace pro rata share in assets and liabilities.
- *Revaluation of property, plant and equipment.* IFRS permits the revaluation of such assets to fair value.
- *Amortization of components of fixed assets.* IFRS requires amortizing fixed assets based on the useful life of its main components.
- *Impairment test for goodwill and intangible assets.* The Fund will investigate the impact, if any, of the impairment test methods under IFRS compared with the requirements under Canadian GAAP.

At this time, management does not expect any significant changes to the calculation of net earnings and to the presentation of the cash flow statements and balance sheets.

Change in fiscal year-end of the subsidiary

Beginning with the 2008 fiscal year, the subsidiary New Look, as well as the VIE, have adopted the last Saturday of December as their year-end while the Fund has kept December 31 as its year-end. The change was prompted to facilitate operations reporting. As a consequence of this change, the operating activities of the last four days of December 2008 will be reported with the 2009 financial statements.

Segmented information no longer required

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

Revenue recognition

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

Operating leases

Total rents payable under operating leases are charged to expense on a straight-line basis over the term of the leases. Lease term covers the period from the date the premise is delivered to New Look until the end of the lease. The portion of the rent covering the period prior to the opening of the store was capitalized as start-up costs up to 2008. As mentioned above, start-up costs are no longer capitalized after 2008.

Critical estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates. These estimates are established on the basis of previous years and management's best judgment. Management continually reviews estimates. Actual results may differ from those estimates. The following paragraphs establish the main estimates used in preparing the consolidated financial statements of the Fund.

Fixed assets

In order to allocate the cost of fixed assets over their useful lives, estimates of the duration of their useful lives must be carried out. Amortization of fixed assets is based on such estimates. As mentioned above under the item *Change in accounting estimates*, the useful live of fixed assets were revised in 2008 and change was brought in the calculation of amortization.

Intangible assets

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

Escrowed proceeds

The carrying value of the escrowed proceeds is equal to the amount receivable as management estimates probable the collection of the amount which is held by a reliable escrow agent. Refer to the item *Escrowed proceeds from the sale of CMN* for more details.

Research and development and related tax credits

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

Equity-based compensation

Equity-based compensation, such as options granted to employees, is recognized as an expense even if no cash disbursement is required. Compensation is measured at fair value at grant date using the method known as the Black-Scholes option pricing model. This model takes into account factors such as expected duration of the option, expected volatility of the underlying security, risk-free interest rate and expected distributions. Except for the risk-free interest rate, the determination of these factors requires estimates and judgment. The expense of equity-based compensation is recognized over the vesting period with a corresponding credit to contributed surplus. Balances in the contributed surplus are transferred to the carrying value of Fund units when the options are exercised.

Tradename

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

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net assets acquired. Goodwill is not amortized; it is tested for impairment annually, or more frequently if events or circumstances dictate that the asset is impaired.

Income taxes and taxes on dividends

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

New Look charges directly to deficit any amount of taxes on dividends which cannot be used to reduce income taxes, either currently or in the future.

Outstanding unit, share, and option data

As of February 28, 2009, the Fund had 5,889,830 units outstanding and New Look had, on a consolidated basis, 3,870,404 exchangeable shares outstanding. As New Look common shares are 100% owned by the Fund, they are eliminated in the consolidated balance sheet. As of the same date, 705,965 Fund options were outstanding for an average exercise price of $5.32.

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

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

Each option gives the right to purchase one Fund unit at an exercise price equal to the market value on grant date. All outstanding options will expire five years after the grant date. The maximum number of units issuable upon the exercise of options at any given time is 10% of the units issued and outstanding.

In 2008, the Fund granted a total of 20,000 options to purchase units at an exercise price of $7.20.

In 2008, a total of 98,035 options to purchase units at an average price of $3.96 were exercised.

Changes in market value of the Fund units were as follows:

	2008	2007
	$	$
Average market value	6.23	6.70
Market value at end of year	5.49	7.25

The value of the units has declined although the performance of the Fund improved in 2008 compared to 2007. This is the consequence of the current world wide economic crisis.

Fonds de revenu Benvest NEWLOOK Income Fund

Related party transactions

A loan of $150 to a company related to an officer was outstanding at December 31, 2008. This loan bears no interest and has no repayment terms. A loan of $30 to the holder of the non-controlling interest, bearing interest at prime rate plus 1% and without repayment terms was also outstanding as the end of 2008.

During 2008, New Look made a loan of $200 to a joint venture. The loan bears interest at 6% and is repayable over the next five years.

Business risks and other risks

- The receipt of the escrowed proceeds from the sale of CMN International in the amount of $1,077 (US $891) is subject to a decision awaited from the Court of Appeal. Refer to the item *Escrowed proceeds from the sale of CMN* above for more details. As a court decision, favourable to CMN and indirectly to its shareholders including New Look, has already been issued, the carrying value of the escrowed proceeds has been maintained at the amount actually withheld. Furthermore, New Look has recorded a provision of $75 to cover its share of legal defence cost. There is no assurance that the decision of the Court of Appeal will be favourable to CMN and consequently to New Look and that the provision of $75 will be sufficient to cover New Look's share in defence costs.

- New Look is subject to interest rate fluctuations. Approximately 88% of long-term debt is based on variable interest rates. An increase in the prime rate would raise the interest expense of New Look. As an illustration, an increase of one percentage point would have reduced earnings before income taxes by $62 in 2008.

- New Look is exposed to currency exchange risk regarding US-dollar denominated assets and liabilities such as the escrowed proceeds, cash and accounts payables. The value in Canadian dollars of these assets and liabilities is affected by a variation of the exchange rate. In order to mitigate the impact of such variations, New Look has converted a debt originally repayable in Canadian dollars into a US dollar-denominated debt. As of the end of 2008, the net debt position was $454 (US $376). This net debt position decreases every month with the monthly repayment of the debt in US dollar which will be completely repaid by the end of April 2009.

- The success of New Look is highly dependent on the expertise of our key optical professionals and employees. Absence of optometrists in a store is detrimental to eyewear sales. To mitigate this risk, the Company offers to our key professionals a pleasant and efficient environment of work and to employees a competitive compensation program, good working conditions, and bonus plans. Management believes that this strategy improves the recruitment of key optical professionals and employees, and their retention.

- Competition is a major risk factor in any business. However, the barriers to entry in optical retailing are significant due to regulations by the orders of optometrists and opticians and this tends to limit the creation of new large competitors.

- Laser surgery is available in Canada and is frequently performed thus replacing the need for corrective lenses. Even though many individuals having undergone these surgeries require alternative corrective lenses later, increase in such surgeries could reduce the need for corrective lenses.

- Changes in economic conditions such as the world wide economic crisis has an impact on the Canadian economy and may influence consumers' spending patterns and, consequently, New Look's sales. Like any other retail network, New Look has fixed costs that cannot be reduced in the short term. Furthermore, New Look must comply with rules governing the exercise of the eye care services in the different markets in which it operates and some professional labour costs are not variable. Such a situation would impact negatively financial performance in the short term. Management however believes such a situation would generate opportunities to further consolidate its leadership position in the eye care industry.

Disclosure controls and procedures and internal control over financial reporting

New Look's management, under the supervision of the president and the chief financial officer, has evaluated the effectiveness as at December 31, 2008 of the Fund's disclosure controls and procedures (as defined in Multilateral Instrument 52-109) and has concluded that such disclosure controls and procedures are effective and that material information relating to the Fund was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Management is also responsible for the design of internal control over financial reporting (as defined in Multilateral Instrument 52-109) within the Fund in order to provide reasonable assurance regarding the reliability of financial reporting and the presentation of financial statements for external purposes in accordance with Canadian GAAP. New Look's management, under the supervision of the president and the chief financial officer, has evaluated the effectiveness as at December 31, 2008 of such internal control and has concluded that it is effective. There were no changes in internal control over financial reporting during the period beginning on October 1, 2008 and ended December 31, 2008 that have materially affected, or are reasonably expected to materially affect the internal control over financial reporting.

Approval of the financial statements

The Fund's consolidated financial statements have been approved by its Board of Trustees upon recommendation of its Audit Committee prior to release.

Outlook

We continuously endeavour to adapt new technologies in our laboratory in order to improve quality and productivity, and offer value-added products and services.

New Look continues to focus on its development. In January 2009, the Company opened a new store on Rideau Street in Ottawa. It currently has commitments to open two other stores in 2009 and one in 2010. Major renovations to three stores are also scheduled for 2009. Therefore, most of the New Look stores will be new or newly renovated. Keeping our stores modern and attractive is part of our value chain. Our continued expansion plan consists of further developing, by way of acquisitions, the store network into smaller markets where the offer of optical services and products can be enhanced.

Overall capital expenditures and increase in inventory budgeted for 2009 exceed $3 million.

On March 4, 2009, the House of Commons adopted Bill C-10 which provides for the conversion of "specified investment flow through" trusts, such as the Fund, into corporations without adverse tax consequences to investors. We are monitoring the situation on an ongoing basis with our advisors. At this point in time, there are no plans to convert the Fund into a common share corporation.

Caution regarding forward-looking statements

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

March 18th, 2009
Montreal, Québec

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

Fonds de revenu **Benvest**
NEWLOOK
Income Fund

Fonds de revenu Benvest NEWLOOK Income Fund

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

The consolidated financial statements of Benvest New Look Income Fund (the "Fund") and the other financial information included in this annual report are the responsibility of the management of New Look Eyewear Inc., in its capacity as administrator of Benvest New Look Income Fund, and are approved by the Board of Trustees of the Fund. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Fund maintains internal control systems designed to ensure that financial information is relevant and accurate and that assets are protected.

Management recognizes its responsibility for conducting the Fund's affairs in a manner to comply with the requirements of applicable laws and of established financial standards and principles and for maintaining proper standards of conduct in its activities.

The Board of Trustees supervises the financial statements and other financial information through its Audit Committee, whose members are exclusively non-management Trustees. This committee's role is to review the financial statements and recommend approval by the Board of Trustees and to review internal control and information protection systems and all other matters relating to the Fund's accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditors to review their audit plans and to discuss the results of their examinations. This committee is also responsible for recommending the appointment of the external auditors.

The Fund's external auditors, Raymond Chabot Grant Thornton LLP, appointed by the unitholders at the annual general meeting, have audited the Fund's financial statements and their report on the financial statements follows.

MARTIAL GAGNÉ
President
New Look Eyewear Inc.

Montreal, Québec
March 6th, 2009

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

Montreal, Québec
March 6th, 2009

Raymond Chabot Grant Thornton

Auditors' Report

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To the unitholders of
Benvest New Look Income Fund

We have audited the consolidated balance sheets of Benvest New Look Income Fund as at December 31, 2008 and 2007 and the consolidated statements of earnings and comprehensive income, deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP[1]

Montreal, March 6, 2009

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[1] Chartered accountant auditor permit no. 20518

CONSOLIDATED EARNINGS, COMPREHENSIVE INCOME AND DEFICIT

Fonds de revenu Benvest NEWLOOK Income Fund

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
In thousands of dollars, except per unit amounts

	2008 $	2007 $
Revenues from eye care	62,869	58,218
Cost of materials, direct labour, operating, selling and administration expenses	52,383	48,195
Earnings before the undernoted items	**10,486**	**10,023**
Amortization	3,426	3,614
Financial expenses, net of interest revenues (Note 4)	589	583
Equity-based compensation expense	126	134
	4,141	4,331
Earnings before the following items	**6,345**	**5,692**
Net gain on foreign currency translation	14	126
Expenses related to former portfolio investments	(42)	(369)
Earnings before income taxes and non-controlling interest	**6,317**	**5,449**
Income taxes (Note 15)	1,147	981
Earnings before non-controlling interest	**5,170**	**4,468**
Non-controlling interest	11	31
Net earnings and comprehensive income	**5,159**	**4,437**
See Notes 4 and 5 for other information on consolidated earnings.		
Net earnings per unit (Note 19)		
Basic	0.53	0.46
Diluted	0.52	0.45

Consolidated Deficit

	2008 $	2007 $
Balance, beginning of year	(4,915)	(3,873)
Adjustment (Note 20)		(120)
Net earnings	5,159	4,437
Distributions to unitholders	(3,716)	(3,528)
Dividends and related taxes (Note 21)	(1,985)	(1,831)
Balance, end of year	**(5,457)**	**(4,915)**

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

Fonds de revenu Benvest NEWLOOK Income Fund

CONSOLIDATED CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
In thousands of dollars

	2008	2007
	$	$
OPERATING ACTIVITIES		
Net earnings	5,159	4,437
Items not affecting cash:		
Non-controlling interest	11	31
Amortization	3,426	3,614
Loss on disposal of property and equipement		17
Amortization of deferred lease inducements and variation of deferred rent	8	156
Equity-based compensation expense	126	134
Future income tax expense	1,108	844
Future tax credits related to reseach and development expenses (Note 5)	(181)	(111)
Gain on foreign currency translation related to long-term monetary assets and liabilities	(28)	(150)
Change in non-cash working capital items (Note 6)	(1,216)	(544)
Cash flows related to operating activities	**8,413**	**8,428**
INVESTING ACTIVITIES		
Advances	(100)	
Reimbursement of advances	9	3
Purchase of property and equipment	(4,560)	(5,556)
Business acquisitions (Note 7)	(275)	(819)
Acquisition of other assets	(164)	(252)
Cash flows related to investing activities	**(5,090)**	**(6,624)**
FINANCING ACTIVITIES		
Variation in bank indebtedness	1,434	810
Long-term borrowings	2,336	4,523
Repayment of long-term debt	(1,135)	(1,295)
Lease inducements	250	510
Issuance of units pursuant to exercise of options	388	18
Distributions and dividends paid	(5,597)	(5,335)
Current taxes related to dividends paid	(946)	(845)
Cash flows related to financing activities	**(3,270)**	**(1,614)**
Net increase in cash and cash equivalents	53	190
Cash and cash equivalents, beginning of year	425	235
Cash and cash equivalents, end of year	**478**	**425**

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

Fonds de revenu Benvest NEWLOOK Income Fund

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007
In thousands of dollars

	2008 $	2007 $
ASSETS		
Current assets		
Cash and cash equivalents	478	425
Accounts receivable (Note 8)	1,136	666
Income taxes and tax credits receivable	218	
Inventory	8,297	6,857
Prepaid expenses	544	533
Total current assets	**10,673**	**8,481**
Advances (Note 9)	271	180
Escrowed proceeds from the sale of a portfolio investment (Note 10)	1,077	883
Property and equipment (Note 11)	16,948	15,387
Tradename	2,500	2,500
Goodwill	5,854	5,854
Future income taxes (Note 15)	518	580
Other assets (Note 12)	958	921
	38,799	**34,786**
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 13)	4,034	2,600
Accounts payable and accrued liabilities	7,323	6,402
Distributions and dividends payable	465	442
Income taxes payable	132	387
Instalments on long-term debt (Note 14)	975	1,188
Total current liabilities	**12,929**	**11,019**
Long-term debt (Note 14)	6,931	5,227
Deferred lease inducements and deferred rent	2,536	2,120
Non-controlling interest	23	12
	22,419	**18,378**
UNITHOLDERS' EQUITY		
Fund units (Note 16)	12,612	12,172
Exchangeable shares (Note 16)	7,989	7,989
Contributed surplus (Note 17)	1,236	1,162
Deficit	(5,457)	(4,915)
	16,380	**16,408**
	38,799	**34,786**

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

On behalf of the Board

W. John Bennett
Chairman of the Board

William R. Ferguson
President of the Audit Committee

1. Governing statutes and nature of activities

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

2. Accounting changes

NEW ACCOUNTING STANDARDS

On January 1, 2008, in accordance with the applicable transitional provisions, the Fund adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1535, "Capital Disclosures", 3031, "Inventories", 3862, "Financial Instruments – Disclosures", and 3863, "Financial Instruments – Presentation".

Capital disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. This additional disclosure includes quantitative and qualitative information regarding objectives, policies and processes for managing capital, as well as the entity's compliance with externally imposed capital requirements. These new standards are effective for fiscal years beginning on or after October 1, 2007 and the Fund implemented them as of January 1, 2008. The required disclosures related to implementation of these new standards are included in Note 28 and have no impact on the Fund's financial results.

Inventories

In June 2007, the CICA published Section 3031, "Inventories", which replaces Section 3030 of the same title. The new section provides more extensive guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The new standard also requires various additional disclosures, in particular, the amount of inventories recognized as an expense during the period and the amount of any reversal of write-downs that is recognized as a reduction of expenses. This new standard is effective for fiscal years beginning on or after January 1, 2008 and the Fund applied it as of this date.

Pursuant to the adoption of new Section 3031, the Fund now discloses the cost of sales which includes the amount of inventories recognized as an expense, unallocated production overheads, distribution costs to stores, and costs of professional services required for the purpose of producing lenses and adjusting the eyewear to the needs of the customers. Amortization related to the assets used for these purposes is also allocated to cost of sales.

Beginning with the 2008 fiscal year, the cost of the inventories is determined by the first in first out method whereas prior to January 1, 2008, it was determined by the average cost method.

The adoption of this new standard as well as changing to first in first out method from the average cost method had no significant impact on the Fund's consolidated financial results.

Financial instruments – Disclosures and presentation

Section 3862 describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. These sections replaced Section 3861, "Financial Instruments – Disclosure and Presentation." The result of the implementation of these standards is included in Notes 26 and 27 and had no impact on the Fund's financial results.

CHANGE IN ACCOUNTING ESTIMATES

Amortization

Methods, rate, or period of amortization were as follows up to the first quarter of 2008:

	Methods	Rate or period
Equipment, tools and signs	Diminishing balance	20%
Computer equipment and software	Straight line	20%
Leasehold improvements	Straight line	Lease term, maximum of 7 years

Following a review of the useful lives of property and equipment, management has established the following methods, rate, or period of amortization effective April 1, 2008:

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

This change in estimated useful lives was applied prospectively. The impact of the revised estimates is a reduction of amortization expense of $447 for the last three quarters of 2008 and for the year ended December 31, 2008. The reduction in amortization for a full year is $596.

FUTURE ACCOUNTING STANDARDS

As at March 6, 2009, certain new primary sources of generally accepted accounting principles ("standards") have been published but are not yet in effect. The Fund has not early adopted any of these standards. The new standards which will impact the Fund's consolidated financial statements are detailed as follows.

Goodwill and intangible assets

In February 2008, the CICA published new Section 3064, "Goodwill and Intangible Assets". This section which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs", establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. In addition, Section 1000, "Financial Statement Concepts" was amended to clarify the criteria for recognition of an asset. Finally, once an entity adopts this new section it may no longer apply the guidance in EIC Abstract 27, "Revenues and Expenditures during the Pre-Operating Period". As a result, this new standard will preclude the Fund from deferring start-up costs as it is currently the practice of the Fund. The new standard is applicable to fiscal years beginning on or after October 1, 2008 and the Fund will implement it as January 1, 2009. In the 2009 financial statements, the 2008 comparative figures will be restated to reflect the following:

Reversal of amortization of start-up costs	227
Additional expenses as current start-up costs	126
Increase in earnings before income taxes	101

The balance of the deficit at January 1, 2008 will be increased as follows:

Write-off of deferred start-up costs	279
Less: Future income taxes related to the write-off	86
	193

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board announced that International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") will become Canadian accounting standards for publicly accountable enterprises on January 1, 2011. Accordingly, the Fund has established a plan of changeover to IFRSs in order to adopt these standards as of January 1, 2011, with a retroactive effect to January 1, 2010 for the comparative amounts.

Although IFRSs use a conceptual framework similar to Canadian generally accepted accounting principles ("GAAP"), many IFRSs will require more disclosure than their Canadian GAAP equivalents. The Fund is currently reviewing the standards to determine the potential impact on its consolidated financial statements.

Other new standards have been published and they should not have a significant impact on the Fund's financial statements.

CHANGE IN FISCAL YEAR-END

In 2008, the Fund's subsidiary, New Look, as well as the variable interest entity, changed their fiscal year-end from December 31 to the last Saturday of December. Accordingly, the year ended December 27, 2008 of New Look and the variable interest entity includes 362 days, whereas the comparative year includes 365 days. The Fund maintained its year-end at December 31.

OTHER CHANGE

Beginning with the 2008 fiscal year, the Fund no longer presents segmented information as the "other" segment, which related to a portfolio investment which is now liquidated and the escrowed proceeds from the sale of a portfolio investment, no longer justifies presenting segregated data. The "other" segment is no longer significant. As a result, the Fund restated its segmented information and did not present the information for 2007.

3. Accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Fund and New Look, as well as those of a variable interest entity as defined in the Accounting Guideline 15 of the CICA Handbook. All inter-entity transactions and balances have been eliminated. As a result of New Look and the variable interest entity having a different year-end from the Fund, events subsequent to the last Saturday of December may provide significant additional information relating to items included in the financial statements of New Look and the variable interest entity. All such information that becomes available prior to the completion of the Fund's consolidated financial statements would be used in evaluating the estimates made and the financial statements would be adjusted where necessary.

Accounting estimates

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

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

Revenue recognition

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

Research and development

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

Foreign currency translation

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

Comprehensive income

Comprehensive income is the change in equity or net assets of an enterprise during a period that result from transactions, events, and circumstances from sources other than the owners. It includes net earnings, revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles, are recognized in comprehensive income but excluded from net earnings. Management's determination was that the only component of comprehensive income at December 31, 2008 and 2007 was net earnings.

Financial assets and liabilities

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

Class	Financial instruments
Assets held for trading	Cash and cash equivalents
Loans and receivables	Accounts receivable, excluding sales taxes Advances Escrowed proceeds from sale of portfolio investment
Other financial liabilities	Bank indebtedness Accounts payable and accrued liabilities Distributions and dividends payable Long-term debt

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

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

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

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

Note 26 provides the amounts involved in each class of financial instrument.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities at the date of acquisition of three months or less.

Inventory valuation

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

Impairment of long-lived assets

Property, equipment, and intangible assets subject to amortization are tested for recoverability when event or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of long-lived asset over its fair value. As at December 31, 2008 and 2007, there were no events or changes in circumstances that would indicate that the carrying amount may not be recoverable.

Tradename

The tradename is recorded at cost and is not amortized. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the tradename with its carrying amount. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to that excess. Management's determination at December 31, 2008 and December 31, 2007 was that the tradename was not impaired.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net assets acquired at the time of the acquisition. Goodwill is not amortized. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset is impaired. Goodwill in written down if its carrying value exceeds its fair value. The fair value is calculated using discounted cash flows. Management's determination at December 31, 2008 and December 31, 2007 was that the goodwill was not impaired.

Other assets

Other assets include start-up costs and the value of intangible assets acquired with the purchase of businesses. Start-up costs include rents and other costs incurred during the period prior to the commencement of commercial operations of new stores or the opening of a new facility. Such costs are amortized on a straight-line basis over a two to ten-year period. Refer to Note 2 for a change in standards, applicable in 2009, regarding start-up costs. Intangible assets include lease contracts acquired under favourable conditions and customer relationships. The value allocated to a lease contract is amortized on a straight-line basis over the duration of the lease. The value of customer relationships is amortized on a straight-line basis over the estimated duration of the benefits obtained, which varies from five to ten years.

Operating leases

Rent under operating leases is charged to expense on a straight-line basis over the lease term. Any difference between the rent expense and the rent payable is reflected as deferred rent on the balance sheet. Lease term includes free rent periods as well as the construction period prior to the commencement of the lease.

Lease inducements applicable to lease contracts are deferred and amortized as a reduction of operating costs over the lease term using the straight-line method.

Equity-based compensation

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

Income taxes

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

The tax legislation provides for the imposition of entities such as publicly-traded income trusts on distributions to unitholders, which are derived from "non-portfolio earnings", at the rate applicable to corporations and the treatment of such distributions in the hand of unitholders as dividends. Under a grandfathering clause, the Fund will be subject to this new tax starting in 2011. The Fund will lose the benefit of this grandfathering clause if it exceeds a "normal growth" as determined by reference to guidelines issued by the Department of Finance, in issuing new units.

At this time, the Fund has no plan to issue units, except as a result of the exchange of exchangeable shares of New Look and the exercise of options, and therefore does not expect the taxation of distributions before 2011.

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

Taxes related to dividends on exchangeable shares

Taxes related to dividends paid on exchangeable shares are charged to retained earnings to the extent that they are not offset by a reduction in corporate income taxes.

Earnings per unit

Basic earnings per unit are computed by dividing the net earnings by the weighted average number of Fund units and exchangeable shares outstanding in the period. Diluted earnings per unit are calculated using the treasury stock method giving effect to the exercise of options. The treasury stock method assumes that any proceeds that could be obtained upon the exercise of options would be used to repurchase units at the average market price during the period. Options are not included in the computation of diluted earnings per unit when their exercise price is greater than the average market price in the period.

4. Financial expenses, net of interest revenues

	2008	2007
	$	$
Interest on long-term debt	439	420
Interest on bank indebtedness and other interests	107	111
Financing fees	52	101
	598	632
Interest revenues	9	49
	589	583

5. Underlying components in consolidated earnings

Cost of sales

	2008	2007
	$	$
Amounts included in cost of materials, direct labour, operating, selling and administrative expenses	27,942	25,877
Amounts included in amortization	940	1,772
	28,882	27,649

Other components

	2008 $	2007 $
Write-down of inventories included in cost of sales disclosed above	138	72
Gain (loss) on foreign currency translation included in cost of sales disclosed above	(125)	80
Other gain on foreign currency translation	14	126
Amortization of property and equipment	3,124	3,250
Amortization of other assets	302	364
Interest income from temporary investments	3	8
Interest income from a joint venture	3	
Interest income from escrowed proceeds		39
Interest income from holder of the non-controlling interest	3	2
Research and development expenses	750	466
Related tax credits		
Current	213	70
Future	181	111
Other tax credits		34
Loss on disposal of property and equipment		17

6. Underlying components in consolidated cash flows

The changes in non-cash working capital items are detailed as follows:

	2008 $	2007 $
Accounts receivable	(312)	119
Income taxes and tax credits receivable	(218)	
Inventory	(1,341)	(804)
Prepaid expenses	(11)	(247)
Accounts payable and accrued liabilities	921	198
Income taxes payable	(255)	190
	(1,216)	(544)

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

	2008 $	2007 $
Interest paid	597	631
Income taxes paid and taxes relating to dividends paid	1,391	779

7. Business acquisitions

During 2008, New Look acquired an optical practice. The net assets acquired are detailed as follows:

	$
Current assets	99
Property and equipment	125
Lease	150
Customer relationships	75
Net assets acquired	449
Amount paid in cash	275
Balance payable over the next four years, at 3% interest, guaranteed by a letter of credit, average annual payments of $19	74
Balance payable over the next four years, without interest, average annual payments of $25, subject to realisation of minimum sales[(a)]	100
	449

(a) Management has concluded that the minimum sales required in order for the amount to be disbursed is realisable beyond a reasonable doubt and therefore has recorded the contingent consideration.

The operations were included in the consolidated earnings from the date of acquisition in September 2008.

During 2007, New Look acquired two optical practices. The net assets acquired are detailed as follows:

	$
Current assets	167
Property and equipment	86
Lease[(b)]	453
Customer relations	183
	889
Obligation under capital leases assumed	20
Net assets acquired	869
Amount paid in cash	819
Balance payable cancelled in 2008[(b)]	50
	869

(b) An amount of $50, initially recognized as a balance payable, was cancelled in 2008. The carrying value allocated to a lease was reduced by the same amount in 2008.

The operations of the first acquisition were included in the consolidated earnings since May 2007 and since October 2007 for the second acquisition.

8. Accounts receivables

	2008	2007
	$	$
Trade accounts	311	132
Sales taxes	607	474
Lease inducements	179	21
Accrued interest	39	39
	1,136	666

9. Advances

	2008	2007
	$	$
Advances to a joint venture, bearing interest at 6%, payable in monthly instalments of $4, capital and interest, maturing in June 2013.	91	
Advance to an entity related to a trustee, without interest and repayment terms.	150	150
Advance to the holder of the non-controlling interest, bearing interest at prime rate plus 1%, currently 4.5% (7% as at December 31, 2007) without repayment terms.	30	30
	271	180

10. Portfolio investments under liquidation

Escrowed proceeds from the sale of a portfolio investment

Following the sale, in 2004, of shares of CMN International Inc. ("CMN"), New Look has a balance receivable of $1,077 (US $891) which remains in escrow pending the final settlement of a claim against CMN. A court decision, favourable to CMN and indirectly to its former shareholders including New Look, has been rendered and the claimant has appealed that decision. The appeal was heard in January 2009 but the decision has not yet been rendered. In 2007, a provision of $75 to cover an estimate of New Look's share in the defence costs of former shareholders of CMN and accrued interest income of $39 from the escrowed proceeds were recorded. In 2008, the provision was maintained at the same amount and no accrued interest was recorded.

The Fitness Company

In July 2007, The Fitness Company ("TFC"), the remaining portfolio investment related to former merchant banking activities, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code of the United States and since then it has sold or closed the remaining fitness clubs it operated. The proceeds from the liquidation were insufficient to allow any repayment of debt to New Look. At the end of 2008 and 2007, TFC had no employees and no activities. The investment in TFC was completely written down at the end of 2006. Neither the Fund nor New Look is responsible for the debts of TFC.

Expenses related to portfolio investments

Expenses amounting to $42 in 2008 and $369 in 2007 were related to former portfolio investments. They were incurred partly in the process of liquidation of TFC in attempting to recover debts owed to New Look and partly in protecting New Look's rights in the settlement of the above-described claim against CMN.

11. Property and equipment

	2008		
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	686	298	388
Application software	705	113	592
Optical equipment	687	15	672
Other equipment and tools	21,185	14,315	6,870
Signs	1,248	589	659
Leasehold improvements	11,817	4,300	7,517
Assets under capital leases			
Other equipment and tools	687	533	154
Leasehold improvements	131	96	35
Deposit to acquire equipement	61		61
	37,207	20,259	16,948

	2007		
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	1,583	865	718
Other equipment and tools	20,660	12,835	7,825
Signs	1,035	502	533
Leasehold improvements	9,200	3,127	6,073
Assets under capital leases			
Computer equipment	4	4	
Other equipment and tools	687	494	193
Leasehold improvements	131	86	45
	33,300	17,913	15,387

Fonds de revenu Benvest NEWLOOK Income Fund

12. Other assets

	2008		
	Cost	Accumulated amortization	Net
	$	$	$
Start-up costs	864	686	178
Leases	537	45	492
Customer relationships	324	36	288
	1,725	767	958

	2007		
	Cost	Accumulated amortization	Net
	$	$	$
Start-up costs	1,061	782	279
Leases	453	14	439
Customer relationships	209	6	202
	1,723	802	921

13. Bank indebtedness

The bank indebtedness, for a maximum authorized amount of $4,000, bears interest at prime rate plus 0.25%, currently 3,75% (prime rate plus 0.5% or 6.5% as at December 31, 2007). As at December 31, 2008, New Look had drawn $3,060 on its operating line of credit ($2,600 as at December 31, 2007). Refer to Note 14 for the description of the security and the long-term debt with the bank.

A standby letter of credit amounting to $125, expiring September 17, 2009 was outstanding as of December 31, 2008.

14. Long-term debt

	2008 $	2007 $
Advances under the "evergreen" operating credit.[a]	6,295	3,959
Term loan denominated in US dollars, US prime rate plus 0.25%, currently 4.0% (US prime rate plus 1.0% or 8.25% at December 31, 2007), payable in monthly instalments of US$77, capital and interest, maturing in 2009.[a)(b]	629	1,300
6.15% note payable in monthly instalments of $15, capital and interest, maturing in September 2010.	283	439
9% note payable, secured by leasehold improvements having a carrying value of $275, payable in monthly instalments of $7, capital and interest, maturing in May 2012.	237	294
8.88% note payable, secured by leasehold improvements and equipment having a carrying value of $173, payable in monthly instalments of $2, capital and interest, maturing in May 2014.	101	115
Obligations under capital leases, average rate of 10.6%, payable in monthly instalments, maturing on various dates until 2010.	58	102
9% note payable in monthly instalments of $1, capital and interest, maturing in January 2013.	61	73
6.6% (7.1% at December 31, 2007) note payable in monthly instalments of $1, capital and interest, maturing in 2013.	46	54
Balance of purchase price of a practice, without interest, cancelled in 2008.		50
9% note payable in montly instalments of $1, capital and interest, maturing in July 2011.	22	29
Balance of purchase price of a practice, secured by a letter of credit, 3%, average annual instalments of $19, maturing in September 2012.	74	
Balance of purchase price of a practice, without interest, average annual instalments of $25 subject to realisation of minimum sales, maturing in September 2012.	100	
	7,906	6,415
Instalments due within one year	975	1,188
	6,931	5,227

(a) The advances under the “Evergreen” credit and the term loan denominated in US dollars are governed by the credit facilities described below.

(b) The debt outstanding as at December 31, 2008 was US $520 (US $1,311 as at December 31, 2007).

Credit facilities

The credit facilities existing at December 31, 2007 were renewed in 2008. The main elements of the renewed facilities are the following:

- An operating line of credit of $4 million to finance day-to-day operations at prime rate plus 0.25% (formerly at prime rate plus 0.50%).
- An "Evergreen" operating credit totalling $12 million (less outstanding balance of a US dollar-denominated term loan, currently Canadian $629) to finance capital expenditures. The first tranche of $10 million, which corresponds to the previous Evergreen credit, has a term ending April 1, 2010 and the second tranche of $2 million has a three-year term ending December 31, 2010. Subject to the bank's approval, New Look has the option of extending the term of the first tranche to December 31, 2010 and the term of the second tranche to December 31, 2011. No payment of capital is required during a term. Upon expiry of a term, New Look shall be required to repay the borrowed amount in 48 monthly instalments. Advances from the Evergreen credit as of December 31, 2008 were drawn from the first tranche of $10 million.
- The variable interest rate applicable to the Evergreen credit is prime rate plus a premium varying from 0.25% to 1%, depending on the ratio of interest bearing debt to EBITDA (earnings before interest, income taxes, and amortization). As of December 31, 2008 the prime rate was 3.5% and the applicable premium was 0.25%. Formerly, the rate was prime rate plus 1%, which totalled 7% as of December 31, 2007.
- New Look may use its Evergreen credit through bankers' acceptances for fees varying from 1.25% to 2% per annum, depending on the ratio of interest bearing debt to EBITDA; the fee applicable as of December 31, 2008 was 1.25%. No bankers' acceptances were outstanding as of December 31, 2008.
- Upon the expiry of a term, New Look has the option to change the floating rate to a fixed rate to be determined by the bank at such time.
- A treasury line of $420 is available to New Look to manage interest risk by using interest rate swap agreements.

The bank indebtedness and the long-term credit facilities, including the term loan denominated in US dollars are secured by a first ranking hypothec of $25,000 on the universality of assets of New Look and a hypothec on the escrowed proceeds from the sale of a portfolio investment. Financial ratios required under the financing agreement were respected as at December 31, 2008 and December 31, 2007.

The credit facilities are reviewable annually.

Instalments on long-term debt

The instalments on long-term debt over the next five years and thereafter are presented in Note 27.

15. Income taxes

During the year, the Fund allocated all of its income to unitholders and accordingly, no provision for income taxes was recorded by the Fund. New Look and the other entities whose financial statements are consolidated with those of the Fund are subject to tax on their taxable income at a rate of approximately 30.4% (31.0% in 2007).

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

	2008 $	2007 $
Earnings before income taxes and non-controlling interest	6,317	5,449
Current statutory income tax rate	30.4%	31.0%
Income tax expense at statutory rate	1,920	1,689
Increase (decrease) in taxes resulting from:		
Distributions to unitholders	(763)	(783)
Non deductible expenses	51	54
Non taxable gains on foreign exchange	(9)	(23)
Increase in valuation allowance	11	88
Other	(63)	(44)
Income tax expense	1,147	981

The components of the income tax expense are as follows:

	2008 $	2007 $
Current	39	137
Future	1,108	844
	1,147	981

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

	2008 $	2007 $
Long-term future income tax assets		
Unused non-capital losses and tax credits	1,244	1,020
Long-term liabilities	742	640
	1,986	1,660
Long-term future income tax liabilities		
Property and equipment	746	507
Goodwill and other assets	455	317
	1,201	824
Net long-term future income tax assets before valuation allowance	785	836
Valuation allowance	267	256
Net long-term future income tax assets	518	580

As at December 31, 2008, the following tax losses are available for which a future income has been recorded:

Non-capital losses expiring in:	Federal	Provincial
2026	584	728
2027	213	213
2028	470	447
	1,267	1,388

As at December 31, 2008, unused tax credits amounting to $389 are also available.

16. Fund units and exchangeable shares

Fund units

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

Exchangeable shares

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

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

Exchangeable shares of New Look are presented as part of unitholders' equity as they meet the two following conditions under Canadian GAAP: a) the holders of exchangeable shares are entitled to receive distributions of earnings economically equivalent to distributions received by unitholders of the income trust; and b) the holders of the exchangeable shares can only dispose of their shares by exchanging them for units of the income trust.

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

	Units		Exchangeable shares	
	Number	$	Number	$
Balance at December 31, 2006	5,751,395	12,093	3,898,804	8,048
Issued pursuant to exercise of options				
Paid in cash, average price of $3.55 per unit	5,000	18		
Transferred from contributed surplus [(a)]		2		
Shares exchanged for units	28,400	59	(28,400)	(59)
Balance at December 31, 2007	5,784,795	12,172	3,870,404	7,989
Issued pursuant to exercice of options				
Paid in cash, average price of $3.96 per unit	98,035	388		
Transferred from contributed surplus[(a)]		52		
Balance at December 31, 2008	5,882,830	12,612	3,870,404	7,989

17. Contributed surplus

	2008	2007
	$	$
Balance, beginning of year	1,162	1,030
Equity-based compensation expense	126	134
Transfer to Fund units	(52)	(2)
Balance, end of year	1,236	1,162

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

18. Executive unit option plan

Under the Executive Unit Option Plan of the Fund, options to acquire Fund units may be granted to key employees, officers, directors and trustees. The exercise price of each option equals the market price of the unit on grant date and an option's maximum term may not exceed ten years. Options vest according to a period established by the Board of Trustees at the time the options are granted.

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

i) one-third after the grant date, an additional one-third at the end of the first year and the balance at the end of the second year;
ii) two-thirds after the grant date and the balance at the end of the first year;

iii) 50% after the grant date, 25% at the end of the first year and the balance at the end of the second year;
iv) 100% after the date of grant.

Changes in the number of options outstanding were as follows:

	2008	2007
Number of options		
Outstanding at beginning of year	791,000	477,000
Granted	20,000	319,000
Exercised	(98,035)	(5,000)
Outstanding at end of year	712,965	791,000
Options exercisable at end of year	599,964	556,000
Weigted average exercise price	$	$
Outstanding at beginning of year	5.28	3.84
Granted	7.20	7.40
Exercised	3.96	3.55
Outstanding at end of year	5.51	5.28

The following table summarizes information about options outstanding and exercisable as at December 31, 2008:

	Options outstanding			Options exercisable	
Range of exercise price	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
			$		$
$3.50 to $3.55	314,831	1.1	3.51	314,831	3.51
5.10 $	27,667	2.3	5.10	27,667	5.10
5.77 $	34,800	3.0	5.77	34,800	5.77
$7.20 to $7.44	335,667	4.0	7.39	222,666	7.39
	712,965	2.6	5.51	599,964	5.15

The per-unit average market value was $6.23 in 2008 ($6.70 in 2007) and the per-unit market value at the end of 2008 was $5.50 ($7.25 at end of 2007).

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

	December 2008	December 2007
Expected life (years)	4	4
Expected volatility	35%	35%
Risk-free interest rate	3.0%	4.3%
Expected distributions	$ 0.63	$ 0.63

The weighted average fair value of options granted in 2008 was $0.87 per option ($1.05 for 2007). The compensation expense of $126 recorded in 2008 ($134 in 2007) relates to the vesting of options accrued in the period.

19. Earnings per unit

	2008	2007
	$	$
Net earnings	5,159	4,437
Weighted average number of units and exchangeable shares	9,710,100	9,631,158
Dilutive effect of unit options	160,651	202,352
	9,870,751	9,833,510
Basic net earnings per unit	0.53	0.46
Diluted net earnings per unit	0.52	0.45

20. Adjustment to deficit

Pursuant to the adoption of new accounting policies in 2007, the balance of the deficit at the beginning of 2007 was increased as follows:

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

21. Dividends and related taxes

	2008	2007
	$	$
Dividends declared on exchangeable shares	1,904	1,804
Current tax	946	849
Future tax	(865)	(822)
Net tax related to dividends	81	27
	1,985	1,831

The current tax corresponds to the tax payable on the dividends on exchangeable shares and not offset by a corresponding reduction in current income tax expense.

22. Cash distributions and dividends

The declaration of trust under which the Fund was formed provides that the trustees shall, for each month, declare payable to the unitholders the distributable cash flow for that month. The distributable cash flow is calculated at the level of the Fund and, currently, consists of the excess of interest and dividends received from New Look over the expenses incurred by the Fund.

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

Distributions and dividends declared for a month are payable in the following month.

Dividends paid in 2007 included an amount of $17, not related to the exchangeable shares, paid to the holder of the non-controlling interest.

	2008 $	2007 $
Total distributions and dividends paid	5,597	5,335
Non-discretionary portion	3,628	3,651

23. Related party transactions

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

	2008 $	2007 $
Interest income from the holder of the non-controlling interest	3	2
Interest expense related to a loan payable to the holder of the non-controlling interest (loan repaid in 2007)		5
Interest income on advances to a joint venture	3	

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

24. Commitments

New Look has entered into long-term lease agreements expiring until 2021 which call for lease payments for the rental of buildings. Minimum lease payments required under such leases are presented in Note 27.

New Look has also entered into agreements to purchase property and equipment totalling $453 in 2009.

25. Contingencies

New Look is also contingently liable with respect to claims and litigations that arise in the normal course of operations. Management is of the opinion that any liability in excess of the provision already recorded in the accounts, which may arise from such claims, would not have a material adverse effect on the financial statements of the Fund.

26. Financial instruments

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

	2008 $	2007 $
Assets held for trading		
Cash and cash equivalents	478	425
Loans and receivables		
Accounts receivable excluding sales taxes	529	192
Advances	271	180
Escrowed proceeds from sale of a portfolio investment	1,077	883
Total financial assets	2,355	1,680
Other financial liabilities		
Bank indebtedness	4,034	2,600
Accounts payable and accrued liabilities	7,323	6,402
Distributions and dividends payable	465	442
Long-term debt including current portion	7,906	6,415
Total financial liabilities	19,728	15,859

Estimated fair value

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

The fair value of advances originated from related party transactions could not be determined because it is practically impossible to find a financial instrument on the market having substantially the same economic characteristics.

The escrowed proceeds from the sale of CMN bear interest and court decisions regarding the claims against the escrow have been mostly favourable to the former shareholders of CMN, including New Look. Management estimates to collect the full amount and therefore estimates that the fair value of the escrowed proceeds is equivalent to the carrying amount. Refer to Note 10 for more details.

The fair value of long-term debt was determined by discounting future cash flows using rates which New Look could currently obtain for loans with similar terms and conditions and maturity dates. The estimated fair value of the long-term debt is $7,610 compared to a carrying amount of $7,906. For 2007, the estimated fair value of the long-term debt was essentially equivalent to the carrying amount.

27. Financial risk management objectives and policies

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

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

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

Exchange risk

The Fund is exposed to foreign currency fluctuations with regards to the following assets and liabilities as at December 31, 2008 and 2007:

	Currency	2008	2007
		$	$
Cash	USD	24	3
Escrowed proceeds	USD	891	891
Term loan	USD	520	1,311
Accounts payable	USD	661	258
Accounts payable	EUR	64	23

Risk exposure is partly mitigated by a matching of amounts of US dollar-denominated assets and liabilities. This matching will diminish to nil over the next year as monthly repayments are made on the US term loan. Each 1% weakening of the US dollar vis-à-vis the Canadian dollar would decrease the value of the escrowed proceeds by $9. Management has elected not to actively manage this exposure at this time.

The Fund is also exposed to foreign currency fluctuations with regards to purchases of certain goods in the normal course of business, in the amount of US $3,570 and €386 for the current year. Based on these figures, each 1% strengthening of the US dollar and euro would increase the amount of expenses by $62 and decrease earnings before taxes by the same amount. In the beginning of 2009, management has established a policy covering approximately 50% of the purchases in foreign currencies forecast for the next 12 months through the use of foreign exchange contracts. No such contracts were used in 2008.

Interest rate risk

As at December 31, 2008, 88% of the long-term debt bore interest at a floating rate and therefore, the Fund is exposed to cash flow risks resulting from fluctuations in interest rates. A 100 basis point increase in interest rates would result in an increase in annual interest payments of $66. As mentioned in Note 14, the Fund is enabled under the renewed credit facilities to manage interest risk by using interest rate swap agreements.

The long-term debt bearing a fixed rate of interest amounted to $892 as at December 31, 2008 and therefore, the Fund is exposed to the risk of changes in fair value resulting from fluctuations in interest rates. Of this amount, $355 will be repaid in the next 12 months. A 100 basis point variation in interest rate would result in a variation in fair value of the debt of $67.

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Generally, the carrying amount reported on the Fund's balance sheet for its financial assets exposed to credit risk represents the maximum amount exposed to credit risk.

Cash

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

Trade receivables

Credit risk with respect to trade receivables is limited due to the general policy of requiring down payments on accepting orders and payment of the balance of sale price on delivery of goods.

Indemnity risk related to the escrowed proceeds

New Look is exposed to the risk of assuming its part of an indemnity claim against the escrowed proceeds from the sale of CMN. New Look has taken the necessary steps to assure that defence of the rights of former shareholders of CMN was appropriately conducted. Refer to Note 10 for more details.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Fund has financing sources such as its credit facilities for a sufficient authorized amount. The Fund establishes budgets, cash estimates, and a cash management policy to ensure it has the necessary funds to fulfill its obligations for the foreseeable future.

The following table sets out the Fund's financial liabilities and contractual commitments for the next five years and thereafter:

	Long-term debt including current portion	Obligations under capital leases	Contractual commitments[(a)]	Short-term financial liabilities excluding current portion of long-term debt[(b)]	Total
2009	927	52	6,197	11,822	18,998
2010	783	10	6,006		6,799
2011	1,221		5,701		6,922
2012	1,331		5,230		6,561
2013	1,298		4,702		6,000
Thereafter	2,288		14,539		16,827
	7,848	62	42,375	11,822	62,107
Interest included in lease payments		4			
	7,848	58	42,375	11,822	62,107

(a) Refer to Note 24.
(b) Short-term financial liabilities include the bank indebtedness, accounts payable, accrued liabilities, and distributions and dividends payable.

28. Capital management

The Fund's objectives when managing capital are:

- To continue to successfully build the business with a conservative capital structure at the same time as maintaining and increasing distributions to unitholders;
- To provide above average return to the unitholders commensurately with the level of risk;
- To treat the holders of exchangeable shares with respect to distributions on the same basis as the unitholders after taking into account the impact of corporate income tax.

The Fund's capital is composed of unitholders' equity, including the exchangeable shares, the non-controlling interest, the long-term debt including the current portion, and short-term bank indebtedness, less cash and cash equivalents. The Fund manages the capital structure by financing its growth by using a combination of its credit facilities and cash flows from operations.

The Fund's capital structure is as follows:

	2008	2007
	$	$
Unitholders' equity	16,380	16,408
Non-controlling interest	23	12
Long-term debt including short-term portion	7,906	6,415
Bank indebtedness	4,034	2,600
Cash and cash equivalents	(478)	(425)
Total capitalization	27,865	25,010

The current Fund's guidelines with respect to its capital structure and the resulting performance are as follows:

	Guidelines	2008	2007
Interest bearing debt[a] / EBITDA[b]	Maximum of 2.0	1.1	0.9
Interest bearing debt[a] / Total capitalization	0.50	0.41	0.34

(a) Interest bearing debts is net of cash and cash equivalents.
(b) EBITDA is net earnings before financial expenses net of interest revenues, amortization, and income taxes. It excludes any gain or loss on foreign currency (except if related to cost of sales), expenses related to former portfolio investment, equity-based compensation and non-controlling interest.

While the Fund is not subject to externally exposed capital requirements, its credit facilities are subject to a number of covenants, including an interest bearing debt to EBITDA ratio.

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

29. Subsequent events

The Fund declared a distribution of $0.0542 per unit for each of the months of January and February 2009 and New Look declared a corresponding dividend per exchangeable share for each of the same months.

30. Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

Directors and Officers

Martial Gagné
President
New Look Eyewear Inc.

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

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

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

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

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

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

M. William Cleman
Vice Chairman – Benvest New Look Income Fund and New Look Eyewear Inc.
Management Consultant – Cleman Consulting Inc.

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

William R. Ferguson
President
Eric T. Webster Foundation

On May 1, 2005, Benvest Capital Inc. was converted into an income trust named Benvest New Look Income Fund, the purpose of which is to hold securities of New Look Eyewear Inc. ("New Look"). New Look is a leading enterprise in the eye care industry in Eastern Canada, with growth opportunities based on demographic trends and the consolidation of the industry in Canada. As of February 28, 2009, 5,889,830 units of the Fund were issued and outstanding and listed for trading on the TSX (BCI.UN). In addition, 3,870,404 exchangeable shares (on a consolidated basis) of New Look were also issued and outstanding. These shares, which are not listed or freely tradable, have been exchangeable on a one-for-one basis into units of the Fund since May 1, 2006.