

GROUPE  
**Bikini Village**  
 inc.

**ANNUAL INFORMATION FORM**  
for the year ended January 31, 2009

April 23, 2009

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## **FORWARD-LOOKING STATEMENTS**

This document contains prospective information concerning Groupe Bikini Village inc. (or the “Company”)’s activities, financial output, financial position and future financing projects. This information is based on certain hypotheses and analyses carried out in the light of our experience and our perception of historic trends, current conditions and expected future events, as well as other factors considered appropriate under the circumstances. However, the question of whether actual events should conform to our expectations and our predictions is subject to a certain number of risks, uncertainties and hypotheses, including the risks and uncertainties described under the heading “Risk Factors” in this Annual Information Form of the Company. Consequently, all prospective information contained in this document is provided subject to these risks and uncertainties, and it cannot be guaranteed that expected results or events will actually materialize, or even materialize in part, or that they will have the expected impact on us.

The outlooks set forth in this document represent our expectations as of April 23, 2009, and consequently, could conceivably change after that date. We have neither the intention nor the obligation to update or revise any of the projected outlooks, whether in light of new information, future events or otherwise, except as may be required under applicable securities law.

## **INDUSTRY DATA AND TRADEMARKS**

Market data and industry forecasts used throughout this AIF were obtained from various publications. Although management believes that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

This AIF contains registered trademarks owned or licensed by the Corporation, including “Bikini Village.”

## **ITEM 1        STRUCTURE OF THE COMPANY**

### **1.1 CORPORATE NAME AND CONSTITUTION OF THE ISSUER**

Groupe Bikini Village inc. was incorporated pursuant to the *Canada Business Corporations Act* under company number 87718 Canada Ltd., by way of Articles of Incorporation dated July 24, 1978. Certificates of Amendment were subsequently issued on August 24, 1978, January 26, 1983, February 20, 1984, September 25, 1985, and December 4, 1985, notably for the purposes of changing the Company’s name to *Les Boutiques San Francisco Incorporées*, modifying its corporate share capital, and removing the restrictions which had caused the Company to be deemed a “closed company”. On December 5, 1989, the Company filed Articles of Amendment for the purpose of creating Class B Preferred Shares, Series 2. On April 29, 1992, restated Articles of Incorporation were issued to consolidate all previously issued Certificates of Amendment.

On August 21, 1992, Articles of Amendment were filed for the purpose of modifying the Company’s share capital structure, thereby:

- creating Class A Multiple Voting Shares and Class B Subordinate Voting Shares,
- converting the issued and outstanding common shares into Class A Multiple Voting Shares,
- re-designating the authorized but unissued common shares as Class B Subordinate Voting Shares,

- when referring either to Class B Preferred Shares as a class or to Class B Preferred Shares, Series 2, as a series, replacing the words “common shares” in the restated articles with the words “Class A Multiple Voting Shares”, and
- cancelling the Class A Preferred Shares, as a class, and the Class B Preferred Shares, Series 1, as a series.

On July 6, 1998, the Company filed Articles of Amendment in order to subdivide the issued and outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares on the basis of two (2) shares for each of the shares so subdivided.

On July 16, 2003, Articles of Amendment were filed for the purpose of modifying the Company’s capital structure by creating Class B Preferred Shares, Series 3.

On August 2, 2004, Articles of Reorganization were filed for the purposes of changing the corporate name to *Groupe Les Ailes de la Mode inc.*, and modifying the Company’s share capital structure, thereby authorizing the Company to issue an unlimited number of common shares and an unlimited number of preferred shares as follows:

- a) All Class A Multiple Voting Shares issued and outstanding were changed to Class B Subordinate Voting Shares;
- b) 9,165,705 of the 12,226,205 Class B Subordinate Voting Shares held by shareholders were cancelled on a pro rata basis as at the effective date of the reorganization clauses;
- c) The arrangements relative to classes and to the maximum number of shares the Company is authorized to issue were modified as follows:
  - i) by the removal of the following share classes: Class A Multiple Voting Shares, Class B Preferred Shares, Class B Preferred Shares - Series 2 and Series 3, authorized but unissued, and starting from the classes themselves;
  - ii) by the removal of the rights, privileges and restrictions attributed to Class B Subordinate Voting Shares and Class B Preferred Shares as a class, and their replacement with the rights, privileges and restrictions pertaining to common shares as a class;
  - iii) by the designation of Class B Subordinate Voting Shares as common shares.

On November 4, 2005, reorganization clauses were filed to change the Company’s name to Groupe Bikini Village inc.

The head office and principal place of business of the Company is located at 2101-A, Nobel Street, Sainte-Julie, Quebec J3E 1Z8.

## **1.2 SUBSIDIARIES**

The Company does not have any subsidiaries. The Company operates its retail sales activities under the “Bikini Village” and “Ocean Bikini Village” banners.

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**ITEM 2 GENERAL DEVELOPMENT OF THE BUSINESS****2.1 BRIEF BUSINESS DESCRIPTION**

The Company commercialises beachwear products. Through its “Bikini Village” and “Ocean Bikini Village” boutiques, the Company offers customers all types of swimwear, beachwear, and travel clothing, as well as various beach accessories, for men and women.

**2.2 GENERAL DEVELOPMENT OF ACTIVITIES OVER THE LAST THREE YEARS****2006**

At the beginning of the year, the Company obtained the Superior Court of Quebec’s approval of its Plan of Compromise and Arrangement aiming at the conversion of all the debentures into common shares; all of the Company’s outstanding unsecured 12% debentures due in 2008 were cancelled and exchanged for common shares. As a result, the Groupe Bikini Village inc. issued 153,776,069 new common shares in exchange for all of the obligations on its outstanding unsecured 12% debentures which had been due in 2008.

Thereafter, the Company concentrated on its operations; four stores underwent renovations during the year.

**2007**

On May 14, 2007, the Company announced, that it received a favourable ruling by the *Ministère du Revenu du Québec* confirming that its common shares qualified as "valid shares" for purposes of the small and medium enterprises (“SME”) Growth Stock Plan. The common shares of the Company are included on a list drawn up by the *Autorité des marchés financiers* identifying the shares available on the secondary market which are eligible for purposes of a "covering" transaction in the context of the Quebec Stock Savings Plan II. As a result, the common shares of the Company may therefore be acquired on the secondary market as replacement shares for qualifying shares disposed of under this Plan.

On May 25, 2007, the Company announced that it had signed a subscription agreement with the Solidarity Fund QFL (the "Fund").. Under the terms of this agreement, the Fund first subscribes to an unsecured convertible debenture in the nominal amount of \$2,500,000. This debenture bear interest at an annual rate of 8%, payable monthly, and must be bought back by the Corporation in 60 equal monthly payments, starting July 1, 2009. Starting June 1, 2009, the Fund may convert them into common shares of the Company, at the conversion rate of \$0.20 per share. In case of default or change of control of the Company, the Fund may potentially convert them at a more advantageous rate.

In 2007, the Company completed thirteen store renovations, closed two non-performing stores, and opened two stores in Quebec and one in Ontario, as well as our first store in Nova Scotia.

**2008**

On April 28<sup>th</sup>, 2008, the Company announced that she will proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 13,740,779 common shares of the Company (the “Shares”), representing 10% of the public float as at April 22, 2008. The bid began on April 30, 2008 and may continue to April 29, 2009. The Shares are purchase on behalf of the Company by a registered broker through the facilities of the Toronto Stock Exchange. The price paid for the Shares is at the market price at the time of acquisition, and the number of Shares purchased and the timing of any such purchases are

determined by the Company's management. All Shares purchased by the Company will be cancelled. From April 22 2008 to January 31 2009, the Company repurchased 4,999,400 actions.

On October 22, the Company announced the subscription by the Solidarity Fund QFL (the "Fund") to an unsecured convertible debenture in the nominal amount of \$2,000,000. This subscription is in addition to the \$2,500,000 subscribed by the Fund on May 25, 2007 to an unsecured convertible debenture. It is made under the same terms and conditions and completes the \$4,500,000 commitment made by the Fund on May 25, 2007.

This debenture must be bought back by the Company in 60 equal monthly payments, starting July 1, 2009. As of June 1, 2009, the Fund may convert them into common shares of the Company, at the conversion rate of \$0.20 per share. In case of default or change of control of the Company, the Fund may convert them at a possibly more advantageous rate.

In 2008, the Company renovated five stores, closed three non performants stores and open two new stores in Ontario, one in Quebec and our first store in New Brunswick.

### **ITEM 3 DESCRIPTION OF THE BUSINESS**

#### **3.1 RETAIL SECTOR**

The Company commercialises beachwear products. Its distribution network is concentrated in Quebec, Ontario, Nova Scotia and New Brunswick under the "Bikini Village" and "Ocean Bikini Village" banners. A total of 55 boutiques are operating under the "Bikini Village" banner – 25 in Ontario, 28 in Quebec, one in Nova Scotia and one in New Brunswick – while 4 boutiques in Quebec operate under the "Ocean Bikini Village" banner.

#### **3.2 PRODUCTS, PURCHASING POLICIES AND MARKETING**

In its boutiques, the Company offers products for men and women, including swimsuits as well as beachwear and travel wear.

The purchasing department's planning and supply team enables Groupe Bikini Village inc. to offer a wide assortment of merchandise adapted to the needs of each store's specific clientele by adapting the merchandise by product segment, brand, style, colour, size and season.

The Company constantly reinforces its position as a leader in the exclusive fashion industry by exercising control over merchandising, delivery and product presentation, as well as sending members of its purchasing team to do research in the major international fashion markets. This enables them to acquaint themselves with fashion and market trends, and to locate supply sources for the Company's products.

Management sincerely believes that the layout of its renovated retail stores and the pleasant and distinctive atmosphere they offer constitute key contributing factors to the Company's success. Groupe Bikini Village inc. devotes significant attention to the window displays in each of its boutiques, which are refreshed at least once a month under the supervision of a team of marketing specialists. On a regular basis and /or according to the deliveries of new merchandise, the staff of each boutique, supported by specialized teams, repositions merchandise within the store, with a view to specifically drawing customer attention to a variety of selected goods.

The Company's management information and electronic data processing systems are essential to its success. In 2008, Groupe Bikini Village inc. invested in an entirely new solution to replace the aging merchant's & administration systems it currently uses, allowing it to better control all sales,

merchandising and inventory processes. New solution is outsourced from a reliable third party and scalable.

### **3.3 SPECIALIZED SKILLS AND KNOWLEDGE**

The Company has established recruiting methods and training program for its store personnel. In an effort to recruit employees whose personalities are in line with its own brand characteristics, the Company uses various recruiting techniques with a view to selecting candidates who possess experience, an understanding of the Company's brand promise, and a personal sense of image – who can then rapidly and easily draw on these values in assisting the Company's customers with their purchases.

All new employees must attend an orientation session addressing the culture, vision and mission of the Company. This initial training both teaches them the Company's processes and practices and helps to familiarize them with other matters related specifically to their respective responsibilities by the post occupied by an employee. Ongoing coaching completes the training, with the ultimate goal of an exceptional customer service.

### **3.4 COMPONENTS**

The Company's purchasing department selects brands and collections that are in line with the stores' positioning, desired selection average planned price, anticipated trends and customer needs and requests. The purchasing department also develops lines that are exclusive to the Company in partnership with its suppliers; these include the labels Ocean Core, Skye, Turquoise, Bikini Bar and Beach Couture. The Company is supplied by more than fifty manufacturers located in Canada, the United States and the Far East.

### 3.5 LOCATION OF BOUTIQUES

The Company's current policy is to lease space for its boutiques in major shopping centres in the provinces of Quebec and Ontario and, since 2007, in the Maritime province.

The table below indicates the number and location of the Company's boutiques, as at the date of publication of this Annual Information Form:

	Bikini Village	Ocean Bikini Village	Total	Sales area in square feet
<i>Province of Quebec</i>				
Island of Montréal	6	2	8	13,500
Metropolitan Quebec City	4	-	4	8,911
Montréal Region (South Shore)	5	1	6	10,845
Montréal Region (North Shore)	5	1	6	10,373
Other Quebec regions	8	-	8	13,488
<i>Province of Ontario</i>				
Metropolitan Toronto	11		11	15,961
Metropolitan Ottawa	4	-	4	5,624
Other Ontario regions	10	-	10	12,249
<i>Maritime Province</i>				
Nova Scotia	1	-	-	1,428
New Brunswick	1	-	1	1,402
<b>Total</b>	<b>55</b>	<b>4</b>	<b>59</b>	<b>93,780</b>

The Company benefits from short-term leases; the majority of which provide for renewal options that may be exercised at the Company's discretion.

The Company's administrative and distribution activities are housed at its new head office, located at 2101-A, Nobel Street, in Sainte-Julie, Quebec. The Company leases 21,730 square feet of this space to ING Real Estate., for a term of 10 years ending August 31, 2018.

The majority of the products sold throughout the Company's points of sale originate from our logistics and distribution centre that is also currently located at 2101-A, Nobel Street in Sainte-Julie.

The Company relies on transportation companies to service all of its areas.

### **3.6 COMPETITION**

The Company's target markets, which is to say women's and men's swim suits, beachwear and travel clothing and certain beach and swimming accessories, continue to evolve within a very competitive environment in both Quebec and Ontario. The two corporate banners face various types of competition, whether from single boutiques, chains of boutiques or traditional superstores.

Increased competition could adversely affect the Company's ability to achieve its objectives. The Company's inability to compete effectively with its current or any future competitors could result in, among other things, a reduction of market share.

However, The Company enjoys numerous competitive advantages, including its excellent product quality (comprising both private labels and exclusive collections), the wide range of choices it offers, its top-quality customer service, the strategically convenient locations of its stores, and the warm welcome and personalized attention customers receive in its stores, just to mention a few. A key competitive advantage of Bikini Village is its year-round offering of this specialty merchandise, since many of its competitors only carry competing products in the summer season.

### **3.7 TRADEMARKS AND TRADE NAMES**

The Company considers its knowledge of and sustained efforts in research on trends, its trademarks and trade names as important assets in maintaining its competitiveness, and thus has numerous registered trademarks in Canada. The Company takes necessary legal measures to protect its trademarks and believes that these are adequately protected.

The Company's products are marketed under the following trademarks and trade names: "Bikini Village", and "Ocean Bikini Village". Intended to be used in relation to bathing suit collections and accessories as well as in connection with services related to retail sales, these registered trademarks favourably impact the Company's business, as they are well known by Ontario consumers, to Coast of Atlantic consumers.

### **3.8 CYCLES**

Many of the Company's products are seasonal by nature, with merchandise sales being higher in the second and fourth quarters. These quarters' activities are subject to a certain degree of risk from unseasonable weather patterns. Variable costs can be adjusted, but many other costs, such as occupancy costs, are fixed, which causes the Company to report uneven levels of earnings from quarter to quarter. This business seasonality results in any one quarter's performance not necessarily being indicative of the full year's performance.

### **3.9 ENVIRONMENT**

The Company does not consider environmental protection requirements and related matters to have any significant effect on its capital expenditures, earnings, or competitiveness, even though the environment does remain an important and ongoing concern for the Company.

### **3.10 HUMAN RESOURCES**

As at January 31, 2009, the Company had approximately 510 employees, of which 220 were full-time and 290 were part-time employees. Of the total number, 55 employees work at the head office, including the network supervision staff. The Company hires additional employees on a seasonal basis to meet increased demand during certain periods, such as the summer. A complete benefits package is provided for the Company's full-time personnel; this includes dental and medical insurance, salary insurance, and the opportunity to participate in the Registered Retirement Savings Plan of The Solidarity Fund QFL, in which the Company participates. Moreover, the Company offers a discount plan for all employees.

### **3.11 CODE OF BUSINESS CONDUCT**

The Code of business conduct applies to every director, officer and employee. The Code provides guidelines and sets out expectations regarding interactions with customers, investors, governmental authorities, suppliers of merchandise and services, and among employees. It also sets out the ethical values and standards of behaviour that apply to all of the Company's business activities, including such matters as fair dealing, conduct in the workplace, conflicts of interest, corporate property and records, and compliance with the laws of all jurisdictions in which the Company conducts business.

### **3.12 REGULATIONS**

A few of the Company's activities may require a number of permits and licenses from government authorities. The Company believes that it holds the permits and licenses necessary to operate properly. The Company's clothing is also subject to federal regulations governing textile labelling, while imported clothing is subject to regulations governing the marking of imported goods. Management believes that the Company complies with any and all such regulations.

### **3.13 ADVERTISING, MARKETING AND PUBLIC RELATIONS**

The Company's marketing strategy is developed and deployed by an in-house team and completed with trade professionals. The marketing strategy is based on the Company's clear customer-focused positioning, and takes the form of various programs specific to each market segment targeted by the Company.

The Company considers that its target market segments are made up of well-informed consumers interested in fashion. Relational marketing is therefore a crucial component in building strong relations between the Company and its clientele. Direct advertising and relational activities help stimulate goodwill in stores by featuring trademarks and advertising promotional offers, highlighting the Company's competitive advantages.

Advertising is generally developed and produced by trade professionals. The Company projects its corporate image prominently inside its sales outlets, which are considered to be the most important marketing vehicles of the Company.

Media are selected based on their ability to reach and measurably impact the target group. The principal media used by the Company include billboards, local newspapers, internal signage (shopping malls), the Internet (website, viral communication and advertising e-mails). Special events play an important role in attracting new and repeat customers. The Company also employs public relations activities to promote its brands.

From the standpoint of research, studies are constantly being conducted with staff, thereby enabling the Company to better grasp the evolutionary patterns of client tastes and desires and to better meet customer needs.

The Company operates a website for the Bikini Village banners, which was completely re-designed in 2008. Our site, which is already online at [www.bikinivillage.com](http://www.bikinivillage.com), encompassed the corporate and investor information and also provide information on products, activities and services.

### **3.14 RISK FACTORS**

*We urge all of our current and potential investors to carefully consider the risks described in the sections referred to below, as well as the other information contained in this Annual Information Form and other documents we have filed with the appropriate securities regulatory authorities, before making any investment decision with respect to our securities. The risks and uncertainties described in such*

*documents are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us. If any of the following risks actually occurs, our business, cash flows, financial condition or results of operations could be materially adversely affected. Such risk factors should be considered in connection with any forward-looking statements in this document, and with the cautionary statements contained in the Forward-Looking Statements section.*

### **3.14.1 COMPETITIVE AND ECONOMIC ENVIRONMENT**

Retail sales are influenced by changes in economic variables and consumer confidence. There are a number of external factors that affect economic variables and consumer confidence over which the Company exercises no control, including interest rates, personal debt levels, unemployment rates and levels of personal disposable income. A deterioration of economical situation could reduce the global demand on our products and harm our sales. Events such as political or social unrest, natural disasters, disease outbreaks or acts of terrorism could have a material adverse effect on the Company's performance, particularly during a peak season.

### **3.14.2 SEASONALITY**

The retail fashion business, like many of the Company's products, is seasonal in nature, with merchandise sales being higher in the second and fourth quarters. The activities from these quarters are subjugated to a certain number of risks associated to climatic factors. The second quarter activities are subject to a certain degree of risk from unseasonable weather patterns. Variable costs, including selling costs and expenses and, to some extent, employee wages, can be managed to match the seasonal pattern; however, a significant portion of retail costs, including rent, are fixed and cannot be adjusted for seasonality.

### **3.14.3 CONSUMER SHOPPING PATTERNS**

The Company must anticipate and respond to changing consumer preferences and merchandising trends in a timely manner; although the Company works to stay abreast of emerging lifestyle trends and consumer preferences affecting its merchandise, failure by the Company to identify and respond to such trends could have a material effect on the Company's business and the results of its operations.

### **3.14.4 LEASES**

The Company's inability to obtain, or renew under favourable conditions, certain rental spaces may have a negative impact on the Company's business and the results of its operations.

While the Company is able to change its merchandise mix in order to maintain its competitiveness, it cannot vacate a current site without breaching its contractual obligations and incurring lease-related expenses for the remaining portion of the lease term. The term of certain leases limits the Company's ability to respond in a timely manner to changes in the demographic or retail environment at any location.

### **3.14.5 SUPPLIERS RELATIONSHIPS**

The Company is dependant on its suppliers' support of the Company's operations: successful implementation of Groupe Bikini Village inc.'s business strategy will require the maintenance of strong relationships with key brand name suppliers. The Company has been working in recent years, in a specific manner with certain suppliers on its private label programs. However, there can be no assurance that such sources will continue to meet the Company's quality, style and volume requirements. In addition, should suppliers refuse or be unable to extend normal credit terms within a reasonable period of time, refuse to ship manufactured goods, or refuse to purchase goods to fill orders made by the Company, the Company would have insufficient inventory for future seasons. The inability of the Company to obtain quality and

fashionable merchandise in a timely manner could have an adverse material effect on the Company's business and the results of its operations.

### **3.14.6 INVENTORY MANAGEMENT**

The Company must maintain sufficient in-stock inventory levels to operate the business successfully while minimizing out-of-stock levels. A significant portion of Groupe Bikini Village's inventory is sourced from vendors requiring advance notice in order to supply the quantities the Company requires. Required lead times may adversely impact the Company's ability to respond to changing consumer preferences, resulting in inventory levels that are insufficient to meet demand or in merchandise that may have to be sold at lower prices. Inappropriate inventory levels may negatively impact the Company's performance.

### **3.14.7 DISTRIBUTION**

Any significant interruption in the operation of our distribution center may delay shipment of merchandise to our stores and customers, have a material adverse effect on our business, financial condition, liquidity and results of operations. Any failure to coordinate successfully the operations of our distribution center also could have a material adverse effect on our business, financial condition, liquidity and results of operations.

### **3.14.8 RELIANCE ON TECHNOLOGY**

In order to support the current and future requirements of the business in an efficient, cost-effective and well-controlled manner, the Company is reliant on information technology systems. In 2008, the Company invested in an entirely new solution to replace the aging systems it currently uses, in order to achieve its business objectives. These information technology systems are essential in providing management with the appropriate information for decision making, including the Company's key performance indicators. Change management risk and other associated risks arise from the various information technology projects which were undertaken throughout 2008 to replace existing systems, and to introduce new systems to effectively manage the business going forward. Failure by the Company to appropriately invest in information technology or failure to implement information technology infrastructure in a timely or effective manner may negatively impact the Company's financial performance.

### **3.14.9 FINANCE**

The Company is exposed to financial risks as a result of interest and exchange rate fluctuations and the volatility of these rates. The Company's short term credit facilities bear interest at floating rates whereas the long term debt has a fixed rate. Also, in the normal course of business, the Company conducts certain commodities transactions in foreign currencies. The Company manage this risk with forward contracts.

### **3.14.10 EMPLOYEE**

Effective employee development and succession planning are essential to sustaining the growth and success of the Company. The degree to which the Company is ineffective in developing its employees and establishing appropriate succession planning processes could lead to a lack of requisite knowledge, skills and experience which could, in turn, affect its ability to execute its strategies, efficiently run its operations, and meet its goals for financial performance.

### **3.14.11 ACCOUNTING**

New accounting pronouncements introduced by appropriate governing bodies may also impact the Company's financial results.

Please also refer to the Company's 2008 MD&A section entitled "Risks and Uncertainties."

### **3.14.12 CHANGES IN LAW, RULES AND REGULATIONS APPLICABLE TO THE COMPANY**

In operating its business, the Company must comply with a variety of laws and regulations to meet its corporate and social responsibilities and to avoid the risk of financial penalties and/or criminal and civil liability for its officers and directors. Areas of compliance include environment, health and safety, competition law, customs and excise. Regulations related to wages also affect the Company's business. Any appreciable increase in the statutory minimum wage would result in an increase in the Company's labour costs and such cost increase, could adversely affect the Company's business, financial condition and results of operations. Any change in the legislation or regulations applicable to the Company's business that is adverse to the Company and its properties could affect the Company's operating and financial performance.

### **ITEM 4 DIVIDENDS**

No dividend has been paid in the last three financial years on any shares of the Company.

The Company has instituted no policy on dividends.

### **ITEM 5 DESCRIPTION OF SHARE CAPITAL**

The share capital of the Company comprises an unlimited number of common shares and an unlimited number of preferred shares.

As at January 31, 2009, there were 167,678,115 common shares issued and outstanding.

The following is a brief description of the attributes of the share classes. This description does not purport to be complete and is provided subject to the Company's Articles of Incorporation, which may be consulted by visiting the SEDAR website at [www.sedar.com](http://www.sedar.com) under the link "Security holders' documents - French".

#### **COMMON SHARES**

Pursuant to the rights, privileges, conditions and restrictions pertaining to Preferred Shares as either a class or series, common shares include the following rights, privileges, conditions and restrictions:

##### **1. Vote**

The common shareholders are entitled to receive notice of any meeting of shareholders of the Company and to attend and vote on all the matters submitted to the shareholders of the Company, with the exception of certain assemblies where only holders of a specific class or series of shares have a distinct right to vote in accordance with the *Canada Business Corporations Act* or the Company's Articles of Incorporation. Common shares confer upon their holder's one (1) vote per share.

## 2. Dividends

Pursuant to the rights attaching to the preferred ranked shares of the Company and to the provisions of the *Canada Business Corporations Act*, each common share confers upon the registered holder the right to receive dividends, on a per share basis, as shall be determined by the Board.

## 3. Liquidation

In the event of forced or voluntary liquidation, dissolution of the Company or distribution of corporate assets for any reason, and pursuant to the priority rights attaching to each class of preferred shares deemed senior in rank to the common shares, all of the Company's assets available for payment or distribution to common shareholders shall be paid out or distributed equally, on a per share basis, to the common shareholders.

## 4. Amendments

Any amendment to the Company's Articles of Incorporation seeking to abolish or amend one or the other of the rights, privileges, conditions or restrictions pertaining to the common shares shall be authorized by at least two thirds (2/3) of the votes cast at a meeting of the common shareholders convened for this purpose. The formalities to be observed with respect to the forwarding of the notice of meeting, holding of the meeting and quorum shall, allowance being made for necessary adaptations, be those set out in the bylaws of the Company as concerns meetings of holders of voting shares.

## PREFERRED SHARES AS A CLASS

### 1. Issuance in series

The preferred shares may, at all times, be issued in one or more series as set out herein below. They are ranked according to the payment of dividends and reimbursement of capital in the event of dissolution, liquidation or any other distribution of the Company's assets.

The Directors may, from time to time, oversee the creation and issuance of series of preferred shares provided that they first take action as follows with respect to each such series:

- a) determine the designation of the series of preferred shares;
- b) determine the number of preferred shares comprising such series;
- c) determine for such series the rights, privileges, restrictions and conditions attaching thereto, including but without limiting the scope of the foregoing, the rate, amount, method of calculation or conditions relating to the payment of dividends, cumulative or not, conditions and methods of redemption (including redemption at the holder's will) or purchase of such shares, as well as arrangements respecting all sinking or purchasing funds;
- d) accordingly amend the Company's Articles of Incorporation in compliance with the *Canada Business Corporations Act*.

## 2. Voting rights

Save for any express provision of the *Canada Business Corporations Act* to the contrary, the preferred shares shall not allow holders to vote at meetings of the shareholders, or to receive notices of meetings or be present at such meetings. However, where the *Canada Business Corporations Act* requires that a vote be taken by class, each preferred shareholder shall have one (1) vote for each preferred share held. Furthermore, where the *Canada Business Corporations Act* requires that a vote be taken per series, each preferred shareholder shall have one (1) vote for each preferred share held.

Preferred shareholders shall not have the right to vote separately as a class and the holders of preferred shares of any series shall not have the right to vote separately as a series in the event of amendments to the Company's Articles of Incorporation as set out in subparagraphs (a), (b) and (e) of paragraph 1 of Section 176 of the *Canada Business Corporations Act*.

## 3. Right to dividends

The preferred shares of all series confer upon holders the right to receive, during each financial year of the Company, or at any other interval provided for in the amendment clauses required by the *Canada Business Corporations Act* upon creation of a series of preferred shares, cumulative or non-cumulative preferential dividends, payable at times, at rates, in amounts and at a location or locations as shall be determined by the directors with respect to each series prior to the issuance of any such series of preferred shares.

No dividend may be declared, paid out or reserved for payment at any time during the financial year of the Company with regard to common shares or any other share of any other class of the share capital of the Company ranking after preferred shares, unless, during this same period, the standard dividend and all accumulated and unpaid dividends on series of preferred shares with cumulative dividends have been declared, paid out or reserved for payment and all dividends on series of preferred shares with non-cumulative dividends have been declared, paid out and reserved for payment.

The cumulative dividend on every series of preferred shares shall begin to accrue from the date of issuance unless the articles of amendment required pursuant to the *Canada Business Corporations Act* provides for a different date. In this case, all such cumulative dividends shall begin to accrue on the date set out in the articles of amendment.

The holders of all series of preferred shares with cumulative dividends participate on a pro rata basis in the payment of cumulative dividends if this operation is not conducted in entirety for a given series of preferred shares, and the holders of all series of preferred shares shall not be entitled to receive any additional dividend or a dividend different from the specific preferred dividend having been determined with respect to such series in compliance with the rights, privileges, restrictions and conditions attaching thereto.

## 4. Right to repossess

In the event of the liquidation or dissolution of the Company or any other distribution of corporate assets, the holders of all series of preferred shares shall be entitled to a share, calculated on a per share basis, of the Company's assets available for distribution and payment, in cash or in kind, in an amount equal to the consideration received by the Company in compensation for each such share at the time of issuance, or the value upon redemption of any series of preferred shares as determined by the Board upon creation and issuance of such series of preferred shares, and in the case of series of preferred shares with cumulative dividends, all dividends then accumulated

and unpaid (shareholder participation being on a pro rata basis if this operation is not conducted in entirety for a given series of preferred shares) and, in the case of series of preferred shares with non-cumulative dividends, all the dividends then declared and unpaid, and all other amounts as determined by the directors with respect to each series prior to the issuance of preferred shares; after having received payment of all amounts owing pursuant to the foregoing, the preferred shareholders shall not be entitled to further participate in the distribution of the Company's assets. The preferred shareholders are entitled to receive the amounts set out in the paragraph hereinabove with preference and priority over any similar distribution to the holders of common shares or any class of shares of the share capital of the Company ranking after the preferred shares. Should the balance of the Company's assets be insufficient to pay the entirety of the amounts owing to the preferred shareholders, available amounts shall be shared in proportion to the amounts that would be payable to each holder respectively in the case of a full and complete payment.

## ITEM 6 MARKET FOR SECURITIES NEGOTIATION

The Company's common shares were registered with the Toronto Stock Exchange ("TSX") under symbol "MOD" until January 23, 2006.

After the change of the corporate name to Groupe Bikini Village inc., the Toronto Stock Exchange granted the Company the "GBV" symbol to replace the "MOD" symbol for common shares exchanged on the Toronto Stock Exchange on or after January 24, 2006.

### 6.1 NEGOTIATIONS OF SECURITIES

(prices in \$ Canadian)

Month	Common voting shares ( GBV.TO )		
	High	Low	Volume
January 2009	0.0450	0.0350	2, 459, 915
December 2008	0.0400	0.0150	8, 678, 807
November 2008	0.0450	0.0300	4, 171, 291
October 2008	0.0550	0.0250	5, 108, 173
September 2008	0.0800	0.0500	4, 781, 809
August 2008	0.0800	0.0700	1, 658, 001
July 2008	0.0850	0.0700	1, 026, 066
June 2008	0.1050	0.0800	7, 455, 689
May 2008	0.0950	0.0850	2, 212, 640
April 2008	0.1000	0.0600	15, 524, 701
March 2008	0.0800	0.0500	4, 426, 121
February 2008	0.0850	0.0700	2, 946, 454
Annual	0.1050	0.0150	60, 449, 667

## ITEM 7 DIRECTORS AND OFFICERS

The following table and subsequent notes provide the name, place of residence and principal occupation of each member of the Board of Directors and each of the Company's officers, as well as the number of years each Director has served the Company in that capacity.

**7.1. MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY**

<b>Name, province of residence</b>	<b>Principal occupation</b>	<b>Director since</b>
MARDIROS OUNANIAN Quebec, Canada	Chairman of the Board – Groupe Bikini Village inc. President N.A.T. Co.	June 14, 2007
PAUL DELAGE ROBERGE Quebec, Canada	President and Chief Executive Officer– REZOprdr inc.	1978
JOE MARSILII, CA <sup>A</sup> Quebec, Canada	Vice-President, Investments and Finance Jolina Capital inc.	March 1, 2007
MELINDA LEE, CA <sup>A, B</sup> Nova Scotia, Canada	Vice President Investments Clarke Inc. <sup>(1)</sup>	April 16, 2007
SCOTT LECKIE, CFA <sup>A, B</sup> Ontario, Canada	Vice-President, Investment advisor Portfolio Manager National Bank Financial <sup>(2)</sup>	June 14, 2007

A. Member of the Audit Committee

B. Member of the Corporate Governance Committee and the Human Resources Committee

(1) Clarke Inc., a shareholder holding 9.4 % of the Company's shares.

(2) Mr. Scott Leckie represents National Bank Financial, a shareholder holding directly or controlling 13.2 % of the Company's shares.

All of the Directors carried out the principal occupation listed beside their name over the last five years, except for the following:

Ms. Melinda Lee – From 2003 to 2006, Ms. Lee served as Senior Manager Investments and Vice President of Geosam Investments Limited.

As of March 1, 2008, Mr. Scott Leckie was Senior Vice-President of Aquilon Capital Corp. On March 1<sup>st</sup>, 2008, Aquilon Capital Corp. was acquired by National Bank Financial.

To the Company's knowledge, as at April 23, 2009 the Directors, as a group, including Clarke Inc., directly hold, control or direct, 45,936,809 common shares of the Company representing 27.4 % of the common shares.

## 7.2 OFFICERS WHO ARE NOT DIRECTORS

The table below indicates the name, place of residence and the current position held by each of the officers who are not Directors of the Company.

Name and place of residence	Current position
Yves Simard, CA Quebec, Canada	President and Chief Executive Officer
Sophie Gagnon Quebec, Canada	Director, Merchandising, Planning and Allocation
Lise Lahaise Quebec, Canada	Director of Operations, Stores
Chantal Létourneau, CGA Quebec, Canada	Comptroller

In the past five years, each of the officers listed above has held the principal occupation indicated opposite his or her name or a similar position within the Company, with the exception of the following:

Mr. Yves Simard has been President and CEO of Groupe Bikini Village inc. since December 7, 2006. Between December 1997 and June 2003 was Chief Financial Officer of ZAQ inc.; between June 2003 and December 2006, he was a Management Consultant at Triangle Growth Management Group inc.;

Ms. Sophie Gagnon has been Director of Merchandising, Planning and Allocation for Groupe Bikini Village inc. since February 23, 2004. Before February 2004, she was Senior Buyer, Lingerie, for *Les Boutiques Jacob*.

To the Company's knowledge, as at April 23, the officers who are not Directors, as a group, hold or directly or indirectly control 350,100 common shares of the Company.

## 7.3 CEASE TRADE ORDERS, BANKRUPTCIES, FINES AND SANCTIONS

To the Company's knowledge, no Director<sup>1) 2) 3)</sup> or officer<sup>1)</sup> and no shareholder holding a sufficient number of securities of the Company can materially impact control of the Company:

- a) No such individual, in the ten years preceding the date of this Annual Information Form, was a director, Chief Executive Officer or Chief Financial Officer of any issuer that,
  - i) while this individual was acting in such capacity, was the subject of a cease trade or similar order that denied the other issuer access to any exemptions under any Canadian securities legislation for a period of more than 30 consecutive days;
  - ii) upon ceasing to be a director or officer of such issuer, was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under any Canadian securities legislation for a period of more than 30 consecutive days owing to an event having occurred while the individual held such office; or

- b) No such individual, in the ten years preceding the date of this Annual Information Form, was a director or officer of a Company who, while the person operated in this function or in the financial year following the individual's having ceased to act in such capacity, declared bankruptcy, filed a petition under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold its assets.
- c) No such individual was subject to court-imposed penalties or sanctions arising from Canadian securities legislation or a Canadian securities regulatory authority, or had entered into a settlement agreement with such authority; and
- d) No such individual was subject to any other penalties or sanctions imposed by a court or a regulatory body likely to be deemed important in the mind of any reasonable investor seeking to make an investment decision.

Note: <sup>1</sup> Other than Paul Delage Roberge, Lise Lahaise and Chantal Létourneau, who assumed their current roles as directors and officers of the Company when in 2003, the latter restructured under the *Companies' Creditors Arrangement Act*.

<sup>2</sup> Melinda Lee serves as a member of the Board of Directors of Shermag Inc., which on May 5, 2008, announced that it obtained protection under the *Companies' Creditors Arrangement Act*. Shermag Inc. continues to operate under *Companies' Creditors Arrangement Act* protection as it works towards a restructuring plan.

<sup>3</sup> On June 30, 2005, Scott Leckie concluded a settlement with Market Regulation Services Inc. ("RS") under which he agreed to pay RS a fine and costs totalling \$120,000. The settlement was reached following a review by RS of seven trades Mr. Leckie made in shares of Air Canada in June 2003, on behalf of a client. RS accepted that Mr. Leckie's trading activities were intended for the benefit of his client and acknowledged that Mr. Leckie had no intention to manipulate the price of shares or deceive the market.

To the Company's knowledge, no Director or officer of the Company, or a subsidiary thereof holding sufficient corporate securities as could materially impact control of the Company, or personal holding company of one of the aforementioned individuals, has, within ten years of the date of this Annual Information Form, declared bankruptcy, filed a petition under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold its assets.

#### **7.4 CONFLICTS OF INTEREST**

To the Company's knowledge, no Director or officer of the Company has an existing or potential material conflict of interest with the Company.

#### **ITEM 8 LAWSUITS**

There are no lawsuits involving claims representing more than 10% of the assets of the Company.

#### **ITEM 9 STOCK TRANSFER AGENT AND REGISTRAR**

Computershare Trust Company of Canada is the transfer agent and registrar responsible for keeping the Company's records at its principal offices in Montréal, and is the co-transfer agent at its Toronto offices.

<b>Montreal</b>	<b>Toronto</b>
Computershare Trust Company of Canada 1500 University Street Suite 700 Montreal, Quebec H3A 3S8	Computershare Trust Company of Canada 100 University Street 11 <sup>th</sup> Floor Toronto, Ontario M5J 2Y1

## **ITEM 10 MATERIAL CONTRACTS**

The Company has not entered into any material contracts outside the ordinary course of business.

## **ITEM 11 INTEREST OF EXPERTS**

To the Company's knowledge, during and after fiscal 2008 through to the date hereof, partners and employees at Samson Bélair/Deloitte & Touche s.e.n.c.r.l., held or hold rights to less than 1% of the common shares of the Company. Also, the firm has confirmed its independence to the Audit Committee in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

## **ITEM 12 AUDIT COMMITTEE**

### **12.1 CHARTER OF THE AUDIT COMMITTEE**

The charter of the Audit Committee appears in Appendix A to this Annual Information Form.

### **12.2 COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee comprises three Directors, namely Mr. Joe Marsilii, who acts as Committee Chairperson, Ms. Melinda Lee, and Mr. Scott Leckie. The Board of Directors ruled that they are independent and that they have the financial skills necessary to perform their Audit Committee duties, as outlined in Multilateral Instrument 52-110.

### **12.3 RELEVANT TRAINING AND EXPERIENCE**

Mr. Joe Marsilii holds diplomas from Concordia University and McGill University, is a Chartered Accountant, and holds a Bachelor of Commerce (B.Comm.). In August 2001, he joined Jolina Capital inc. as Chief of Financial Services, later becoming Vice-President, Investments and Finance. Jolina Capital is a privately-owned company. Mr. Marsilii sits on various Boards of Directors.

Ms. Melinda Lee holds a Bachelor of Business Administration from St. Francis Xavier University and has been a Chartered Accountant since 1999. She has been Vice President Investments at Clarke Inc. since May 2006.

Mr. Scott Leckie holds diploma from the Toronto University in 1983. He is Chartered Financial Analyst and Member of the Toronto Society of Financial Analysts. He was Senior Vice President since 1990 of Aquilon Capital Corp. which has been acquired on March 1st, 2008 by National Bank Financial. Since, Mr. Leckie is Vice-President, Investment Advisor and Portfolio Manager for the National Bank Financial.

Each of the members of the Audit Committee of the Company possesses training and experience relevant to the performance of their duties, and, at some point, has been commissioned to evaluate financial statements presenting a level of difficulty comparable to that expected to be found in the financial statements of Groupe Bikini Village inc.

#### **12.4 PRE-APPROVAL POLICIES AND PROCEDURES**

On April 17, 2007 the Audit Committee and the Board of Directors approved the “Policy concerning the pre-approval of audit services” given by the external auditor, whose main components are described below.

The external auditors are appointed to audit the annual financial statements of the Company. The external auditors may also be engaged for audit-related services, tax services and non-audit services, as long as these services do not interfere with their independence.

The Audit Committee, which is responsible, *inter alia*, for overseeing the work of the external auditors, must pre-approve all services that the external auditors of Groupe Bikini Village inc. may render to the Company. On an annual basis, the Committee examines and pre-approves the particulars of the services which may be provided by the external auditors and the associated fee levels. Any type of service which has not already been approved by the Committee must be specifically pre-approved by the Committee if it is to be provided by the external auditors. The same applies if the service offered exceeds the pre-approved fee level. The Committee has delegated to its Chairman the authority to specifically pre-approve services that have not already been approved. However, he must communicate any such decisions at the next committee meeting.

On a quarterly basis, the Committee examines the pre-approval status of any service other than audit services that the external auditors have been asked to provide or could be asked to provide during the next quarter.

#### **12.5 PROCEEDINGS REGARDING ALLEGATIONS OF IRREGULARITIES**

On April 17, 2007 the Audit Committee and the Board of Directors approved a policy allowing the employees of the Company to make anonymous complaints regarding any violation of the Code of Business Conduct and any other of the Company’s Policies, laws or regulations applicable to the Company, regarding accounting, accounting controls or auditing matters of the Company, fraud, theft, illegal use of the Company’s goods, and insider trading. All complaints received are sent directly to the Company’s Human Resources Supervisor, who is responsible for analysing the complaint and making due inquiry as necessary. The Audit Committee is informed at every meeting of complaints received, the results of any related inquiries, the fact that no complaints have been filed, or, if applicable, any corrective measures to be implemented.

#### **12.6 POLICY CONCERNING THE HIRING OF PARTNERS, EMPLOYEES AND FORMER PARTNERS AND EMPLOYEES OF THE CURRENT OR FORMER EXTERNAL AUDITOR**

On April 17, 2007, the Audit Committee and the Board of Directors approved a policy with respect to the Company’s hiring of certain candidates. This policy applies to any partner, employee or former partner or employee of the current or former external auditors of the Company. Specifically, the candidate must not have been involved in the auditing of the Company’s financial statements within the 12 months preceding the hiring date.

**12.7 FEES FOR EXTERNAL AUDITING SERVICES**

For the financial years ended January 31, 2009 and February 2, 2008, the following fees were billed by the external auditors for auditing and related services, as well as taxation and other services provided by such external auditors.

	<b>2009</b>	<b>2008</b>
Auditing fees	\$80,000	\$80,000
Fees for auditing-related services	\$16,650	-
Fees for taxation services	\$9,050	\$7,900
Fees for other services provided	-	-

**Auditing fees** include all professional fees paid out to Samson Bélair/Deloitte & Touche, s.e.n.c.r.l. for auditing the annual financial statements and performing other audits involving legal deposits.

**Fees for auditing-related services** include all professional fees paid out to Samson Bélair/Deloitte & Touche, s.e.n.c.r.l. for providing auditing-related services, notably consulting fees pertaining to standards for disclosing accounting and financial information.

**Fees for taxation services** include all professional fees paid out to Samson Bélair/Deloitte & Touche, s.e.n.c.r.l. for ensuring compliance with taxation regulations, for providing taxation counsel, consultation and financial planning services in preparation for filing the income tax returns of the Company, and preparing capital statements.

**Fees for other services provided** include all professional fees paid out to Samson Bélair/Deloitte & Touche, s.e.n.c.r.l. for services other than those falling into the categories of Auditing Fees, Fees for Auditing-related Services and Fees for Taxation Services.

**ITEM 13 ADDITIONAL INFORMATION**

Additional information on the Company is available at [www.sedar.com](http://www.sedar.com) and [www.bikinivillage.com](http://www.bikinivillage.com).

Also, additional information concerning the remuneration of Directors and officers, loans granted to them, the principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans if any, appears in the Management Proxy Circular of the Company regarding the last Annual General Meeting of the Company, at which the Directors were elected.

Additional financial information about the Company is presented in the Audited Comparative Financial Statements and in the Management's Discussion and Analysis prepared for the fiscal year ended January 31, 2009.

## **APPENDIX A: AUDIT COMMITTEE MANDATE**

The Audit Committee (the “**Committee**”) is established by the Board of Directors (the “**Board**”) of Groupe Bikini Village inc. (the “**Company**”) to assist the Board in fulfilling its responsibility of monitoring the system of internal controls and the financial reporting process. The Committee also monitors the Company’s respect of its financial commitments as well as the legal and statutory requirements governing the presentation of financial information and the management of financial risks.

### **COMPOSITION AND QUORUM OF THE AUDIT COMMITTEE**

The Audit Committee shall be comprised of a minimum of three (3) Directors. All members of the Committee shall be independent <sup>(1)</sup> and financially literate <sup>(2)</sup> in accordance with Regulation 52-110 Respecting Audit Committees. Members of the Committee and the Chair shall be appointed by the Board.

A majority of Committee members shall constitute a quorum.

### **AUDIT COMMITTEE RESPONSIBILITIES**

The Committee's responsibilities are as follows:

#### **A. Regarding financial reporting**

1. Review with senior management and the external auditor the annual financial statements and related notes as well as the Management Discussion and Analysis. Obtain detailed explanations from senior management justifying all material variances between the results of corresponding periods before presenting the financial statements to the Board and disclosing them. Review and approve the press release discussing the financial results.
2. For each quarter, review with senior management the quarterly Management Discussion and Analysis, the quarterly financial statements and press release, and obtain detailed explanations justifying all material variances between the results of corresponding periods before presenting the financial statements to the Board and disclosing them.
3. Ensure that adequate procedures are in place to review the information extracted or derived from the financial statements of the Company, other than the financial statements, the Management Discussion and Analysis and all press releases concerning the results of the annual and quarterly financial statements, that is released to the public.

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(1) An Audit Committee Director is independent only when he/she has no significant relationship, direct or indirect, with the Company, i.e., when he/she has no relationship with the Board that may influence his/her independent status, indirectly or directly, and when no consultation fees are paid to him/her by the Board or Company with the exception of his/her remuneration as a Director.

(2) That is, the capacity to read and understand a set of financial statements and present accounting questions of a scope and degree of complexity altogether comparable to those of which it can be reasonably believed will be raised during the reading of the financial statements of the Company.

4. Review the information located in the Prospectus, the Annual Information Form and other reports and documents containing similar financial information before recommending their approval to the Board of Directors and disclosing them to the public or submitting them to Canadian regulatory authorities.
  5. Review with senior management and the external auditor the acceptability and also the quality of the Company's accounting practices as well as any proposal to amend them, including (i) all essential accounting practices used, (ii) other ways of handling financial information discussed with senior management, the effects of their use and the treatment favoured by the external auditor, as well as (iii) any other important communication with senior management in this regard, and review the disclosure and the effect of the eventualities and reasonable character of the provisions, reserves and estimations which may have a significant impact on the presentation of the financial information.
  6. Review with the external auditor the problems or difficulties related to the auditing and the measures taken by senior management to settle disputes between senior management and the external auditor concerning the presentation of the financial information.
  7. Ensure that management has the proper review system in place to ensure that financial statements, reports and other disseminated financial information are in compliance with regulatory and legal requirements.
- B. Regarding the controls and procedures pertaining to financial reporting, internal controls and the management of risks
1. Monitor the quality and integrity of the financial, accounting and information management systems as well as the existence and proper functioning of the procedures and controls for reporting information and for internal control of the financial information of the Company, together with senior management and the external auditors.
  2. Periodically review the Management Discussion and Analysis to evaluate the efficiency of the controls and procedures for reporting information.
  3. Regularly review and monitor the Company's risk assessment and management policies.
  4. Establish and, if necessary, revise procedures for receiving, storing and handling complaints to the Company regarding accounting, internal accounting control or auditing matters, including the confidential forwarding of concerns about debatable accounting or auditing issues by employees of the Company.
  5. Establish and, if necessary, revise procedures for protecting whistleblowers so that no employee of the Company may be dismissed or penalized following an allegation made in good faith to a superior or any other authority involved, regarding a potential violation of rules or regulations in force within the Company.

6. Help the Board to fulfill its responsibility for ensuring that the Company complies with applicable legal and statutory requirements.
- C. Regarding internal auditing
1. Review any management decision concerning the need for an internal auditing function, including the decision to retain external services to that effect and, in such case, approve the selected supplier, excluding the external auditors.
- D. Regarding the external auditor
1. Monitor the work of the external auditor and review its annual written statement concerning its relationships with the Company; discuss relationships or services that may influence its objectivity or independence.
  2. Recommend to the Board of Directors (i) the name of the external auditing firm which will be submitted to the shareholders for a vote, in order to establish or deliver an audit report or to render other auditing, examining or attestation services, as well as (ii) the remuneration of the external auditor for its auditing services.
  3. Authorize all auditing services, determine non-auditing services that may be rendered by the external auditor, and pre-approve all non-auditing services the Company's external auditor can provide to the Company, in accordance with the *Policy for approving services provided by the external auditor* and with the regulations in force concerning the provisions of Multilateral Instrument 52-110.
  4. Review the justification and the amount of the external auditor's fees for both auditing services and authorized services other than auditing.
  5. Review the plan of the annual audit with the external auditor and senior management, and approve its scope and schedule.
  6. Review, if necessary, the *Policy for hiring partners, employees and former partners and employees of the current or previous external auditor of the Company*.
  7. Ensure compliance with the legal and regulatory requirements concerning (i) the rotation of the external auditor's appropriate partners and (ii) the external auditor's participation in the program of the Canadian Public Accountability Board.
  8. Ensure that the external auditor always reports to the Audit Committee and the Board of Directors.

#### **MODE OF FUNCTIONING OF THE AUDIT COMMITTEE**

1. The Committee shall meet at least every quarter, or more frequently if necessary. Meetings of the Committee may be called by its Chair.
2. The Chair of the Committee shall establish the meeting agenda in consultation with the President of the Company and the Chief Financial Officer. The agenda and all pertinent documents must be sent to Committee members well in advance of the meeting.

Minutes of all meetings of the Committee shall be kept and submitted as soon as possible to the Board for information purposes only. In addition, the Committee will report to the Board on its activities, deliberations and findings at the Board meeting following each Committee meeting.

3. The Committee must have direct lines of communication with the external auditor at all times.
4. The Board of Directors will meet regularly without the presence of senior management and the external auditor.
5. The Committee will meet separately with senior management and the external auditor at least once a year, or more often if necessary.
6. The Committee may hire external consultants, when circumstances are justified, and pay their remuneration, subject to informing the Chairman of the Board.
7. The Company shall annually review its mandate and report to the Board on its pertinence.

No element of this mandate aims to extend the scope of the standards of conduct applicable under the requirements of the law, or the regulations respecting the Company's senior management or the members of the Board. Even if the Committee has a precise mandate and even if the members have financial experience, they are under no obligation to act as auditors or to execute an audit, nor to determine whether the financial statements of the Company are complete and exact.

The members of the Committee are entitled to trust, in the absence of information to the contrary, i) the integrity of the persons and organizations which provide them with information, ii) in the exactness and in the completeness of the information supplied, and iii) the statements made by senior management concerning non-auditing services which the external auditor supplies to the Company. The monitoring responsibilities of the Committee were not established so that the Committee could independently determine whether i) senior management has applied adequate principles in terms of accounting, presentation of financial information and internal procedures and controls, or whether ii) the financial statements of the Company have been prepared and, as the case may be, verified according to accounting principles and generally accepted auditing standards.

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**Approved by the Board of Directors on December 6, 2006**  
**Revised and approved by the Board of Directors on April 17, 2008**  
**Revised and approved by the Board of Directors on April 23, 2009**

GROUPE  
Bikini Village  
 inc.