www.bikinivillage.com

GROUPE Bikini Village inc.

SECOND QUARTER 2009

For the three and six months period ended August 1st, 2009.

President and CEO's Message to Shareholders

To our Shareholders:

As you will see in the quarterly report which follows, Groupe Bikini Village inc. ("Groupe Bikini Village" or the "Company") felt the negative impacts of the H1N1 influenza virus in May, and the summer's unseasonable weather, both of which led to reduced travel and overall vacationing in our markets. These factors, combined with the ongoing economic recession, led consumers to postpone their purchases of swimsuits, reducing our sales for the quarter; in addition, promotional efforts we undertook to mitigate the impact of these factors led to a decrease in gross margins. While Groupe Bikini Village's sales performance in August saw a boost with the late arrival of the hot weather in eastern Canada, the Company's second quarter results, for the period ended August 1st, reflect a challenging summer.

Net sales for the second quarter and the six-month period ended August 1, 2009 were $11.4 million and $21.3 million, respectively, compared to $12.8 million and $22.7 million in the corresponding periods of the previous year. Comparable sales decreased by 15.9% for the quarter and 10.8% for the six-month period ended the same date.

Operating income (EBITDA[1]) for the second quarter and six-month period totalled $408,000 and $614,000, respectively, compared to operating income of $1.8 million and $2.4 million in the same periods in 2008. The $1.4 million decrease in operating income in the second quarter of 2009 compared to the second quarter of 2008 was primarily caused by the decreases in business volume and gross margins. The margin decrease resulted from additional markdowns required in the face of the challenging retail conditions and the unfavourable weather conditions.

For the quarter ended August 1st, 2009, our net loss was $169,000 (nil per basic and diluted share), as compared to net earnings of $839,000 (nil per basic and diluted share) for the same quarter in the previous year. For the six-month period ended on that date, net loss totalled $455,000 (nil per share, basic and diluted), as compared to net earnings of $1 million ($0.01 per share, basic and diluted) in the same period in 2008.

Outlook

Exceptionally, net sales for the month of August 2009 were $3.2 million compared to $2.0 million in August 2008, an increase of 60.3%; comparable sales increased by 48.7%. (For purposes of illustration, the average August sales over the last six years were $2.3 million.) Given this outstanding sales performance in August 2009, net year-to-date sales by the end of that month are almost equal to our net year-to-date sales at the end of August 2008 – putting the Company on good footing with respect to its business objectives in working capital and inventory management for 2009 throughout this volatility period.

Groupe Bikini Village will continue to adapt its operational approach and financial plans to match market realities, with a particularly strong focus on managing working capital, inventory, supply risk, and capital expenditures, as well as overhead and indirect costs.

In the quarter ahead, we will continue to focus on renovating stores that are likely to deliver sales growth; on the flip side, we will also exit expiring leases where we can achieve equivalent business volumes more efficiently, in smaller locations in high-traffic areas of malls.

In the quarters ahead, we will continue to execute on our business strategies to build shareholder value, while ensuring our actions remain appropriate for the times. As in quarters past, we will endeavour to capitalize on every opportunity that presents itself, and to create opportunities wherever possible. We will also consider strategic alternatives that may arise.

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[1] Not a Canadian generally accepted accounting principle (Canadian "GAAP") measure, as described on page 4 of the MD&A for the six-month period ended August 1st, 2009; reconciliation with the most directly comparable financial GAAP measures is presented on page 6 of this report.

Acknowledgements

On behalf of the management team, I would like to thank our customers, our Board for their involvement, our employees for their commitment, and our landlords, suppliers, lenders and shareholders for their continuing support.

Yves Simard, C.A.
President and Chief Executive Officer
Sainte-Julie, September 10, 2009

(in thousands of dollars, except per share amounts and statistics)

	Three months ended		Six months ended	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
Operating results				
Operating revenue	**$11,408**	$12,768	**$21,322**	$22,689
Operating income - EBITDA[1]	**408**	1,770	**614**	2,400
In % of sales	**3.6 %**	13.9 %	**2.9 %**	10.6 %
Net earnings (loss)	**(169)**	839	**(455)**	1,006
In % of sales	**(1.5)%**	6.6 %	**(2.1)%**	4.4 %
Earnings (loss) per share, basic and diluted	**-**	-	**-**	0.01
Weighted average number of shares outstanding, basic (in thousands)	**167,678**	172,678	**167,678**	172,678
Other statistics				
Capital expenditure - net (in thousands $)	**1,009**	953	**1,454**	1,539
Number of stores at the end of the period	**62**	60	**62**	60
Number of employees	**550**	500	**550**	500

1 Not a Canadian generally accepted accounting principle (Canadian “GAAP”) measure, as described on page 4 of the MD&A for the six-month period ended August 1, 2009; reconciliation with the most directly comparable financial GAAP measures is presented on page 6 of this report.

This management report, dated September 10, 2009, focuses on the commercial activities and financial results of Groupe Bikini Village inc. ("Groupe Bikini Village" or "the Company") for the three-month and six-month periods ended August 1, 2009; it should be read in conjunction with the unaudited financial statements for the periods ended August 1, 2009 and the notes thereto. The financial information is in Canadian dollars.

COMPANY PROFILE

Groupe Bikini Village, incorporated pursuant to the Canadian Business Corporations Act, retails beachwear products. Through its "Bikini Village" and "Ocean Bikini Village" stores, the Company offers customers all types of swimwear for men and women, beachwear, and travel clothing, as well as various beach accessories.

NON-GAAP FINANCIAL MEASURES

EBITDA, which is defined as earnings before interest, taxes, amortization, reorganization fees and unusual items, is a measure used in this Management Discussion & Analysis ("MD&A"), but should not be considered a measure of the Company's financial return according to Canadian generally accepted accounting principles ("GAAP"). It should not be used out of context, and cannot replace net earnings (net loss), cash flows provided by operating, investing and financing activities, or any other financial statement data presented in the financial statements as indicators of financial performance or of liquid assets. Management believes that this measure is useful supplemental information, as it provides an indication of the profitability of operations prior to the effect of income taxes, debt service and capital expenditures. Since EBITDA is a measure that has not been established according to GAAP, EBITDA as presented herein cannot be compared to other similar measures used by other companies, since the Company's definition of EBITDA may not be identical to similarly-titled measures reported by other companies.

FORWARD-LOOKING STATEMENTS

This document contains prospective information concerning our activities, financial output, financial position and future financing projects. This information is based on certain hypotheses and analyses carried out in 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 "Risks and uncertainties" in this MD&A. 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 materialize in large part, or that they will have the expected impact on our Company.

The current outlooks set forth in this document represent our expectations as of September 10, 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 law. Readers are urged to consider these and other such factors carefully, and not to place undue emphasis on the Company's forward-looking statements.

NOTE ABOUT INTERIM FINANCIAL STATEMENTS

These interim financial statements have been prepared in accordance with Canadian GAAP for intermediate financial information, and consequently, they do not include all the notes and information required by Canadian GAAP for annual financial statements. In management's opinion, all the adjustments (which constitute normal adjusting entries) considered necessary for proper presentation of the Company's financial situation were taken into account. The interim financial statements should be read in conjunction with the audited annual financial statements for the year ended January 31, 2009, as well as the notes therein concerned.

SEASONALITY OF BUSINESS

The Company's activities are seasonal and merchandise sales have historically been higher in the second and fourth quarters; as explained above, however, the second quarter of 2009 did not follow this pattern for a number of reasons. As a result, the operating loss for the quarter ended August 1, 2009 is not necessarily indicative of the results of the operations for a full year.

OVERVIEW

Groupe Bikini Village inc., serving Canadians for almost a quarter-century, is a leading swimwear retailer with a network of new and renovated boutiques across Eastern Canada. In its bright and inviting stores with comfortable change rooms and knowledgeable staff, Groupe Bikini Village helps its customers choose from among Canada's widest selection of swimsuits, beach accessories, and cruisewear, in the most popular brands the industry has to offer and in styles to suit every figure. Headquartered in Sainte-Julie, Quebec, Groupe Bikini Village inc. operates 62 stores and employs approximately 550 people; its securities trade on the Toronto Stock Exchange under the stock symbol GBV. For more information about Groupe Bikini Village inc., please visit our website at www.bikinivillage.com.

OPERATING RESULTS

Our retail expansion and renovation strategy at Groupe Bikini Village in the last two years has enhanced our appeal to customers and helped us capitalize on the opportunities inherent in our market. During the first and second quarters of 2009, we renovated two of our key Quebec stores, as well as having opened new stores in Cambridge and Scarborough, Ontario and the Quebec City area.

Our retail network is currently distributed as follows:

	Quebec	Ontario	New Brunswick	Nova Scotia	Total
Bikini Village	**29**	**27**	**1**	**1**	**58**
Ocean Bikini Village	**4**				**4**
TOTAL :	**33**	**27**	**1**	**1**	**62**
Opened or fully renovated over the last two years	**18**	**11**	**1**	**1**	**31**
New or renovated stores (in %)	**55%**	**41%**	**100%**	**100%**	**50%**

The analysis that follows discusses our strategy; it also examines a number of factors that impacted on our results in the periods of 2009 and 2008.

The following is a summary of selected financial information, together with the comparative results, for the periods of three and six months ended August 1, 2009 and for the periods of three and six months ended August 2, 2008.

SELECTED FINANCIAL INFORMATION *(in thousands of dollars, except per share amounts)*

	Period of three months ended		Period of six months ended	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
	$	$	**$**	$
Operating revenue	**11,408**	12,768	**21,322**	22,689
Operating income - EBITDA[1]	**408**	1,770	**614**	2,400
Less:				
Interest	**196**	98	**389**	160
Amortization	**401**	411	**786**	705
Earnings (loss) before income taxes	**(189)**	1,261	**(561)**	1,535
Income taxes (recovery)	**(20)**	422	**(106)**	529
Net earnings (loss)	**(169)**	839	**(455)**	1,006
Earnings (loss) per share, basic and diluted	**-**	-	**-**	0.01
Weighted average number of shares outstanding (in thousands) - basic	**167,678**	172,678	**167,678**	172,678
Cash flows from				
Operating activities	**1,755**	2,345	**(232)**	872
Financing activities	**95**	-	**38**	-
Investing activities	**(1,009)**	(953)	**(1,454)**	(1,539)
Total assets	**21,038**	19,079	**21,038**	19,079
Total long-term debt[2]	**3,274**	1,468	**3,274**	1,468

1 Not a Canadian generally accepted accounting principle (Canadian "GAAP") measure, as defined on page 4 of this MD&A; this table provides a reconciliation with the most directly comparable financial GAAP measures.

2 Excluding current portion of long-term debt and convertible debentures, deferred lease credits and future income taxes.

Second quarter and period of six months ended August 1, 2009 compared to second quarter and period of six months ended August 2, 2008

Operating Revenues

The Company's sales for the three-month period ended August 1, 2009 decreased by 10.7%, to $11.4 million, from $12.8 million for the same three-month period last year. This result also represents a decrease of 15.9% on comparable sales, which is the comparison of the sales of the same number of stores from year to year. For the purposes of this MD&A, a "comparable store" is a store that was open the full current fiscal year (to date) as well as the full prior fiscal year (to date).

The impacts of the H1N1 influenza virus in April 2009, which led to an early termination of the travel season in May 2009, and the summer's unseasonable weather conditions took a toll on Groupe Bikini Village in the second quarter. We know that in times of economic recession, especially when the weather is poor, our customers tend to postpone their purchases of swimsuits.

In the six-month period ended August 1, 2009, sales totalled $21.3 million, a decrease of 6% over the same period last year, when sales were $22.7 million. In the first half of the year, the comparable sales decreased by 10.8% as compared to the same period in 2008.

Operating Income - EBITDA[1]

For the second quarter of 2009, the Company delivered EBITDA[1] (as previously defined in "Non-GAAP Financial Measures") of $408,000, or 3.6%, compared to EBITDA[1] of $1.8 million, or 13.9%, for the second quarter of 2008.

The $1.4 million decrease in operating income in the second quarter of 2009 compared to the second quarter of 2008 was primarily caused by the decreases in both business volume and gross margins; the margin decrease resulted from additional markdowns required to mitigate the impacts of challenging retail conditions associated with unfavourable weather conditions.

For the six-month period ended August 1, 2009, EBITDA[1] totalled $614,000, or 2.9%, compared to $2.4 million, or 10.6%, in the corresponding period last year. The negative variance in EBITDA[1] for the first half of 2009 compared to 2008 is the same as is discussed above for the quarter.

Financing Charges and Amortization

Financing charges for the three-month period ended August 1, 2009 increased from $98,000 in 2008 to $196,000, due to the interest payable on the $2 million in additional financing received at the end of October 2008, as well as interest on capital lease and a reduction in interest revenues.

Financing charges for the six-month period ended August 1, 2009 increased from $160,000 in the corresponding period of 2008, to $389,000 for the same reasons stated above. The financing charges include a $146,000 ($90,000 in 2008) non-cash interest expense, calculated on the debt component of the convertible debentures.

The amortization expense for the quarter ended August 1, 2009 has decreased slightly (by 2.4%), to $401,000, compared to $411,000 for the quarter ended August 2, 2008. Over and above renovations and openings of stores affecting amortization, in the second quarter of 2008, the Company had accelerated depreciation of certain computer equipment in order to align their book value with their remaining useful life.

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1 A non-Canadian generally accepted accounting principle (Canadian "GAAP") measure, as previously defined on page 4 of this MD&A; reconciliation with the most directly comparable financial GAAP measures is presented on page 6 of this report.

For the six-month period ended on August 1, 2009, amortization expense increased to $786,000 from $705,000 in 2008, an increase of 11.5%. This increase is the result of the renovation of five existing stores and the opening of four new stores during 2008, and the renovation of another two stores and opening of three new ones during the first half of 2009.

Earnings (Loss) Before Income Taxes

For the quarter ended August 1, 2009, the Company registered $189,000 in loss before income taxes, compared to earnings before income taxes of $1.3 million in the same period the previous year. For the six-month period ending on that same date, the Company registered $561,000 in loss before taxes, compared to $1.5 million earnings before taxes for the comparable period in 2008.

Income Taxes

The Company recorded income tax recovery in the amount of $106,000 during the first half of 2009, representing a tax rate of 18.9%, compared to an income tax expense of $529,000 or 34.5% for the same period in 2008. The difference in tax rates is essentially due to the proportion between i) the amount of non-deductible charges and ii) the loss before income taxes.

Net Earnings (Net Loss)

Net loss in the quarter ending August 1, 2009 was $169,000 (nil per basic and diluted share), as compared to net earnings of $839,000 (nil per basic and diluted share) in the same period last year.

In the first half of 2009, net loss totalled $455,000 (nil per basic and diluted share), compared to net earnings of $1 million ($0.01 per basic and diluted share) in the first half of 2008.

CASH POSITION

Operating Activities

Cash flows generated from operations in the quarter ended August 1, 2009 decreased by $0.6 million (from $2.4 million to $1.8 million). The decrease is partly due to the net loss this year compared to net income the previous year, and the reduction of prepaid rental expenses.

For the six-month period ended August 1, 2009, cash flows used in the operations increased by $1.1 million (from $0.9 million generated by operations to $0.2 million used in the operations). For the six-month period, as in the quarter, the net loss compared to a net profit explains the decrease in cash flow, partially offset by a reduction in inventory levels.

Financing Activities

During the second quarter of 2009, the Company repaid $57,000 in accordance with its obligations under capital leases and $75,000 on convertible debentures; the Company also recorded $227,000 in lease inducements receivable. A net total of $95,000 was generated by financing activities, while in the corresponding period of 2008 there was no financing activity.

During the six-month period ended August 1, 2009, the Company repaid $114,000 in accordance with its obligations under capital leases and $75,000 on convertible debentures; the Company also recorded $227,000 in lease inducements receivable. A net total of $38,000 was generated by financing activities, while in the corresponding period of 2008 there was no financing activity.

Investment Activities

Investment activities in the second quarter of 2009 used $1 million, compared to $953,000 during the corresponding period one year earlier. During the second quarter of 2009, one existing store was completely renovated, three new stores were opened and another store was being completed for official opening in August 2009, whereas in the second quarter of 2008, investments in our network included the renovation of one of our existing stores and the construction of two new stores. The Company also made investments to replace information systems during the second quarter of 2008.

For the first six months of 2009, investment activities totalled $1.5 million, consistent with $1.5 million in 2008.

FUTURE CASH POSITION

As at August 1, 2009, the Company had available cash of $2.7 million and an on-demand credit facility of up to $3 million, of which none had been used. This credit facility was improved and renewed on October 27, 2008. Availability of the on-demand credit is limited by a margin formula based on the Company's assets, net of specific reserves and priority claims. In the normal course of business in fiscal 2008, the Company issued letters of credit and letters of guarantee against this facility, for a total of $200,000, expiring in September 2009. This facility is secured by a universal first mortgage on inventories, receivables and capital assets of the Company, and bears interest at prime plus 1.15% (1.15% in 2008). Under the agreements relative to the credit facility, the Company is subject to certain restrictive clauses concerning compliance with financial ratios.

Exceptional sales in August 2009 have improved our cash flow situation. A strong focus on working capital remains imperative in the near term. In the quarters ahead, Groupe Bikini Village will continue to focus on a number of growth and value-creation strategies aimed at enhancing shareholder value. Its cash position and available financing facilities will allow it to leverage its existing stores and tap into new space opportunities that may arise, while meeting its long term debts repayment schedules

Commitments

The Company is committed under long-term operating leases for commercial space. Most of these leases have a minimum annual rent and an additional rent based on a percentage of gross sales, and renewal options which can be exercised at the Company's or the lessor's discretion. The minimum lease payments required in the coming years are as follows: (in thousands of dollars)

2010 (6 months)	2011	2012	2013	2014	Subsequently
$2,653	$4,869	$4,176	$3,543	$2,177	$3,476

USE OF ESTIMATES

For the six-month period ended August 1, 2009, there has been no significant change in our critical accounting estimates from those described in our fiscal 2008 MD&A.

APPROVAL OF THE FINANCIAL STATEMENTS

The Company's interim financial statements have been approved by its Board of Directors upon recommendation of its audit committee prior to release.

ACCOUNTING STANDARDS IMPLEMENTED IN THE FIRST SIX MONTHS OF 2009

During the first half of 2009, the Company followed the same accounting policies and procedures it had applied in its most recent annual financial statements, for the year ended January 31, 2009, except as noted below.

Goodwill and intangible assets

In February 2008, the CICA's Accounting Standards Board issued Section 3064 "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs." This Section is effective for interim and annual financial statements beginning on October 1st, 2008, and establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally-generated intangible assets, are aligned with International Financial Reporting Standards ("IFRS") International Accounting Standard 38, "Intangible Assets." The adoption of this Section did not have any impact on the Company's annual financial statements.

Credit risk and the fair value of financial assets and financial liabilities

In the second quarter of 2009, the Company adopted EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." Under this new standard, an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of these guidelines did not have any impact on the Company's annual financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the following new Handbook Sections:

- Section 1582, "Business Combinations"
- Section 1601, "Consolidated Financial Statements;" and
- Section 1602, "Non-controlling interests."

Section 1582, which replaces the former Section 1581, requires all business combinations to be accounted for by applying the acquisition method. Under this method, assets acquired and liabilities assumed are measured at their full fair value at the date of acquisition, unless another standard requires otherwise. Section 1582 provides the option of accounting for non-controlling interest at either fair value, or the non-controlling interest's proportionate share of the identifiable net assets acquired. Acquisition costs associated with a business combination are to be expensed in the periods in which they are incurred. Section 1601 carries forward the standards for the preparation of consolidated financial statements of former Section 1600, while Section 1602 requires non-controlling interests to be reported as a separate component of equity, with net income calculated without deduction for non-controlling interests. Rather, consolidated net income is to be allocated between controlling and non-controlling interest.

These three new Sections are to be implemented concurrently and apply prospectively to all business combinations for which the acquisition date is on or after January 1, 2011, with earlier application permitted. The Company expects that the adoption of this Section will not carry any impact on the Company's annual financial statements.

Adoption of international financial reporting standards in Canada

The Canadian Accounting Standards Board has confirmed that IFRS will replace the current Canadian GAAP for publicly-accountable profit-oriented enterprises. These new standards are applicable to fiscal years beginning on or after January 1, 2011, and companies will be required to provide comparative IFRS information for the fiscal year immediately preceding that date. Groupe Bikini Village will have to implement this standard in the first quarter of its fiscal year ending January 28, 2012. The transition from the current GAAP to IFRS is a significant undertaking, which may materially affect the Company's reported financial position and results of operations.
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The Company planned its changeover from current Canadian GAAP to IFRS by first installing a professional resource, formally reporting to the Comptroller, to manage the transition. A project plan was subsequently established.

Groupe Bikini Village's IFRS transition project plan consists of four phases: an initial assessment, detailed assessment, design and implementation.

The Company has completed the initial assessment phase, which included a high-level review of the major differences between current Canadian GAAP and IFRS, and an initial evaluation of IFRS 1 transition exemptions. During this initial assessment, relevant IFRS standards for the Company and the optional exemptions available for its transition to IFRS were identified. In addition, the significant differences between current Canadian GAAP and IFRS were identified, to enable the Company to set the priorities for its detailed assessment to follow.

The Company is currently engaged in the detailed assessment phase, which involves completing a comprehensive impact analysis of the differences between GAAP and IFRS identified in the initial assessment phase. We expect to complete this phase before the end of fiscal 2009.

In the third phase, the «design phase», the Company will design and develop detailed solutions to address the differences identified in the first and second phases of the changeover plan. This phase should be completed by the end of the second quarter of 2010.

Finally, during the implementation phase, Groupe Bikini Village will implement the identified changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting. This phase will be completed before the end of fiscal 2010.

RELATED PARTY TRANSACTIONS

During the six-month period ended August 1, 2009, no fees were paid to the former Chairman of the Board of the Company, who is currently a Director ($94,750 in 2008). In conjunction with the relocation of its corporate headquarters in 2008, the Company no longer receives occupancy revenues from the former Chairman of the Board (it received $9,750 in occupancy revenues in 2008).

DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Comptroller (acting as Chief Financial Officer) have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings), and have concluded that such disclosure controls and procedures operated effectively as at August 1, 2009.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Groupe Bikini Village's management is also responsible for establishing and maintaining adequate internal controls over financial reporting. These controls must provide reasonable assurance as to the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with Canadian GAAP. However, it should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance that the objectives of the control system are met.

No changes were made to Groupe Bikini Village's internal controls over financial reporting during the period between February 1, 2009 and August 1, 2009, inclusively, which have materially affected, or are reasonably likely to materially affect, Groupe Bikini Village's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

There has been no significant change in the Company's risk factors in the six-month period ended August 1, 2009 from those described in our fiscal 2008 MD&A.

Many of the Company's products are seasonal in nature, with merchandise sales historically stronger in the second and the fourth quarters. Activities in these quarters are subject to a certain degree of risk from unseasonable weather patterns, as noted earlier in this report. While the Company works proactively to control variable costs as a means of mitigating the impact of this risk, many other costs, such as occupancy costs, are fixed, causing the Company to report a disproportionate level of earnings across its quarters. Because our industry is characterized by seasonality, the results of each quarter are not necessarily indicative of the full year's performance.

The Company exerts no influence over several external factors that affect economic variables and general consumer confidence, including economic cycles, interest rates, personal debt levels, unemployment rates, and levels of personal disposable income. Events such as political or social unrest, natural disasters, disease outbreaks, and acts of terrorism also have the potential to have a material adverse effect on the Company's performance, particularly if they occur during or otherwise impact a peak season.

If the Company were to suddenly become unable to obtain or renew certain rental spaces at favourable terms, it could potentially experience a negative impact on its business and the results of its operations.

The Company's key lines of business, which is to say women's and men's bathing suits, beachwear, travel clothing and certain beach accessories, continue to evolve within a very competitive environment. Our two corporate brands, Bikini Village and Ocean Bikini Village face various types of competition, from independent stores, chains of stores, and traditional superstores. Groupe Bikini Village inc. continually reviews its strategies to ensure its leadership in the marketplace. Increased competition could adversely affect the Company's ability to achieve its objectives. An inability by the Company to compete effectively with current or future competitors could result in, among other things, a reduction of market share.

However, at Groupe Bikini Village, we enjoy numerous competitive advantages, including our excellent product quality (comprising both private labels and exclusive collections), the wide range of choices we offer, our top-quality customer service, the bright, inviting atmosphere in our new and renovated boutiques, the strategically convenient locations of our stores, and the warm welcome and personalized attention our customers receive, just to mention a few. A key competitive advantage of Groupe Bikini Village with its banners, Bikini Village and Ocean Bikini Village, is our year-round offering of this specialty merchandise, since many other retailers only carry competing products during the summer season.

For further information, please refer to the "Risk Factors" Section of the Company's 2009 Annual Information Form, which is incorporated by reference in this MD&A and can also be found on our website at www.bikinivillage.com and on SEDAR at **www.sedar.com**.

FINANCIAL POSITION

The Company's total assets amounted to $21 million as at August 1, 2009, compared to $21.8 million as at January 31, 2009, mainly due to the use of cash for the payment of accounts payable and accrued liabilities, and the acquisition of fixed assets.

As at August 1, 2009, accounts receivable stood at $259,000, compared to $92,000 as at January 31, 2009. The increase is related partly to variances in sales tax and lease inducements receivable.

Income tax receivables were $270,000 as at August 1, 2009 and January 31, 2009, following the retrospective application of the 2008 year tax losses.

As at August 1, 2009, inventories stood at $7.8 million, compared to $7.9 million as at January 31, 2009, a decrease of $0.1 million (1.7%). While inventory levels at the end of fiscal 2008 were $2.4 million higher than they had been at the end of the previous fiscal year, the 2009 inventory management strategies reduced that variance to $1.8 million by the end of the second quarter of 2009. Based on the inventory strategy and purchasing commitments, this variance will further decrease in the second half of the year and improve our cash flow availabilities.

Prepaid charges totalled $627,000 as at August 1, 2009, compared to $614,000 as at January 31, 2009.

Short-term and long-term future income taxes were $644,000 and ($232,000), respectively, for a net total of $412,000 as at August 1, 2009, as compared to $435,000 and ($129,000), respectively, for a total of $306,000 as at January 31, 2009. Our net future income tax assets were increased due to the increase in unused non-capital tax losses.

The book value of Groupe Bikini Village's capital assets totalled $8.8 million as at August 1, 2009 compared to $8.1 million as at January 31, 2009. The capital assets total at the end of the second quarter of 2009 reflects the renovation of two existing stores, the construction of three new stores and a fourth store almost completed, offset by amortization.

As at August 1, 2009, total debt amounted to $10 million, compared to $10.3 million as at January 31, 2009. The decrease in debt is attributable to the decrease in trade accounts payable, partially offset by increased sales taxes payable.

For the six-month period ended August 1, 2009, shareholders' equity decreased to $11 million, having been negatively impacted by the net loss of $455,000.

Groupe Bikini Village's working capital totalled $6.5 million as at August 1, 2009, compared to $7.7 million as at January 31, 2009; as a result, our working capital ratio was 2.1 at the end of the second quarter of 2009, as compared to the 2008 year-end ratio of 2.3.

OUTSTANDING SHARE DATA

As at August 1, 2009, the Company had 167,678,115 common shares outstanding (167,678,115 as at January 31, 2009). On that same date, 4,900,000 stock options were outstanding (January 31, 2009 – 4,900,501), at prices varying between $0.08 and $0.13, for a weighted average exercise price of $0.09 ($0.09 as at January 31, 2009), exercisable at dates ranging to 2018. During the period of six months ended August 1, 2009, 501 options (751 in 2008) expired.

On April 28, 2008, the Company announced its intention to proceed with a normal course issuer bid to repurchase its own shares for cancellation, thereby increasing the proportionate value of each remaining shareholder's holdings. Under the bid, the Company could 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 started on April 30, 2008 and ended on April 29, 2009. The price paid for the Shares has been the market price at the time of acquisition, and the number of Shares purchased and the timing of any such purchases have been determined by the Company's management. Shares purchased by the Company have been subsequently cancelled. Between April 30, 2008 and April 29, 2009, the Company repurchased 4,999,400 Shares at an average price of $0.046 per share, for a total of $230,000.

On April 29, 2008, the Company granted 3,400,000 common stock option shares to certain Officers and Directors of the Company at an exercise price of $0.08; these options can be exercised at any time over the subsequent three years, at a rate of 33 1/3% per year. These options mature in 2018. During the six-month period ended August 1, 2009, the compensation expense recorded on the Statement of Operations with regard to this allocation is $35,000 ($19,000 in 2008). In addition, the compensation expense recorded on the Statement of Operations with regard to the previous year's allocation is $17,000 ($25,000 in 2008).

ADDITIONAL INFORMATION

This MD&A is dated September 10, 2009, and is intended to facilitate the understanding and assessment of significant changes and trends, as well as risks and uncertainties, related to the Company's operating results and financial position. For other information pertaining to the Company, including the annual financial statements and Annual Information Form, please consult our website at www.bikinivillage.com or SEDAR at **www.sedar.com**.

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SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial information from the unaudited quarterly financial statements of the Company, for the eight most recently completed quarters.

(in thousands of dollars, except per share amounts)

	Second quarter		**First quarter**		**Fourth quarter**		**Third quarter**	
Fiscal year	2009 $	2008 $	2009 $	2008 $	2008 $	2007 $	2008 $	2007 $
Operating revenue	11,408	12,768	9,914	9,921	12,988	12,928	5,167	5,398
Earnings (loss) from								
Continuing operations	(169)	839	(286)	167	627	941	(2,118)	(1,327)
Discontinued operations	-	-	-	-	-	-	-	161
Net earnings (loss)	(169)	839	(286)	167	627	941	(2,118)	(1,166)
Per share amounts from								
Continuing operations	-	-	-	-	-	0.01	(0.01)	(0.01)
Discontinued operations	-	-	-	-	-	-	-	-
Basic and diluted earnings (loss)	-	-	-	-	-	0.01	(0.01)	(0.01)
Weighted average number of shares (in thousands)								
Basic	167,678	172,678	167,678	172,678	170,128	172,678	172,502	172,678

The fluctuations between quarters are principally seasonal.

OUTLOOK

As noted above, exceptionally, net sales in August 2009 were $3.2 million compared to $2.0 million in August 2008, an increase of 60.3%, with comparable sales increasing by 48.7%. By way of comparison, the August sales average over the last six years was $2.3 million. On a year-to-date basis, net sales at the end of August 2009 are therefore almost equal to the net sales at the end of August 2008 – and as a result, Groupe Bikini Village will be on good footing with respect to its business objectives in working capital and inventory management throughout this volatility period.

Recognizing that market challenges continue to exist despite the warm end to the summer, Groupe Bikini Village will continue to adapt its operational approach and financial plans to match market realities, with a strong focus on managing working capital, inventory, supply risk, and capital expenditures, as well as overhead and indirect costs.

In the balance of 2009, we will continue to manage our physical locations in our chosen markets to deliver the best possible return: renovating stores that are likely to deliver sales growth, and exiting expiring leases where we can achieve equivalent business volumes more efficiently elsewhere.

In the quarters ahead, we will continue to focus on building shareholder value by taking advantage of opportunities that present themselves – and creating opportunities of our own – while ensuring our actions remain appropriate for the times. We believe that this strategy will best position us for success as economic conditions improve, and will best serve our shareholders in the long term. We will also consider strategic alternatives that may arise.

Yves Simard
President and Chief Executive Officer

Statements of Operations and Comprehensive Income (loss)

(in thousands of dollars, except per share amounts)
(unaudited)

	Three months ended		Six months ended	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
	$	$	**$**	$
Operating revenue	**11,408**	12,768	**21,322**	22,689
Cost of goods sold, operating and administrative expenses (Note 4)	**11,000**	10,998	**20,708**	20,289
Interest (Note 5)	**196**	98	**389**	160
Amortization	**401**	411	**786**	705
	11,597	11,507	**21,883**	21,154
Earnings (loss) before income taxes	**(189)**	1,261	**(561)**	1,535
Income taxes (recovery) (Note 6)	**(20)**	422	**(106)**	529
Net earnings (net loss) and Comprehensive income (loss)	**(169)**	839	**(455)**	1,006
Earnings (loss) per share, basic and diluted (note 7)	**-**	-	**-**	0.01
Weighted average number of shares outstanding	**167,678,115**	172,677,515	**167,678,115**	172,677,515

Statements of Deficit

(in thousands of dollars)
(unaudited)

	Three months ended		Six months ended	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
	$	$	**$**	$
Deficit, beginning of period as previously reported	**(19,903)**	(19,172)	**(19,617)**	(19,339)
Adjustment to opening deficit resulting from adoption of new accounting standard Section 3031 - Inventories - net of income taxes of $103,000	**-**	207	**-**	207
Deficit, beginning of period as restated	**(19,903)**	(18,965)	**(19,617)**	(19,132)
Net earnings (loss)	**(169)**	839	**(455)**	1,006
Deficit, end of period	**(20,072)**	(18,126)	**(20,072)**	(18,126)

See accompanying notes

Balance Sheets
(in thousands of dollars)

As at	**August 1, 2009**	August 2, 2008	January 31, 2009
	$	$	$
Assets	**(Unaudited)**	(Unaudited)	(Audited)
Current assets			
Cash and cash equivalents	**2,698**	5,503	4,346
Accounts receivable	**259**	38	92
Income taxes	**270**	-	270
Inventories	**7,786**	6,005	7,922
Prepaid charges	**627**	1,378	614
Future income taxes	**644**	123	435
	12,284	13,047	13,679
Capital assets (Note 8)	**8,754**	6,011	8,086
Future income taxes	**-**	21	-
	21,038	19,079	21,765
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**4,601**	4,063	5,239
Income taxes	**-**	268	-
Current portion of long-term debt and convertible debentures (Note 9 and 10)	**1,138**	42	756
	5,739	4,373	5,995
Deferred lease credits	**727**	240	473
Long-term debt (Note 9)	**606**	-	727
Liability component of convertible debentures (Note 10)	**2,668**	1,468	2,972
Future income taxes	**232**	-	129
	9,972	6,081	10,296
Shareholders' equity			
Share capital (Note 11)	**27,702**	28,528	27,702
Equity component of convertible debentures (Note 10)	**1,137**	1,005	1,137
Contributed surplus	**2,299**	1,591	2,247
Deficit	**(20,072)**	(18,126)	(19,617)
	11,066	12,998	11,469
	21,038	19,079	21,765

Commitments (Note 15)
See accompanying notes

Approved by the Board

Mardiros Ounanian
Director

Joe Marsilii
Director

Statements of Cash Flows

(in thousands of dollars)
(unaudited)

	Three months ended		Six months ended	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
	$	$	**$**	$
Operating activities				
Net earnings (loss)	**(169)**	839	**(455)**	1,006
Adjustments (Note 14)	**494**	617	**905**	1,043
	325	1,456	**450**	2,049
Net changes in non-cash working capital items (Note 14)	**1,430**	889	**(682)**	(1,177)
Operating activities	**1,755**	2,345	**(232)**	872
Financing activities				
Repayment of convertible debentures	**(75)**	-	**(75)**	-
Rental inducement	**227**	-	**227**	-
Reimbursement of long term debt	**(57)**	-	**(114)**	-
Financing activities	**95**	-	**38**	-
Investing activities				
Acquisition of capital assets	**(1,009)**	(953)	**(1,454)**	(1,539)
Investing activities	**(1,009)**	(953)	**(1,454)**	(1,539)
Net changes in cash and cash equivalents	**841**	1,392	**(1,648)**	(667)
Cash and cash equivalents at beginning	**1,857**	4,111	**4,346**	6,170
Cash and cash equivalents at end	**2,698**	5,503	**2,698**	5,503

See accompanying notes

Notes to the Financial Statements

(all tabular figures are in thousands of dollars)
(unaudited)

1. Basis of presentation

The interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information and consequently, they do not include all the notes and information required by Canadian GAAP that applies to annual financial statements. In management's opinion, all the adjustments (which constitute normal adjusting entries) considered necessary for a proper presentation of the Company's financial situation were taken into account. The interim financial statements were prepared by Groupe Bikini Village inc.'s ("Groupe Bikini Village" or the "Company") senior management and were not examined by the Company's auditors. They should be read in conjunction with the audited annual financial statements for the year ended January 31, 2009, as well as the notes therein contained.

The Company's continuing activities are seasonal, with merchandise sales traditionally being higher in the second and fourth quarters. As a result, the operating loss for the quarter ended August 1, 2009 is not necessarily indicative of the results of the operations for a full year.

2. Accounting policies

During the first six-month period ended August 1, 2009, the Company followed the same accounting policies and procedures it had applied in its most recent annual financial statements, for the year ended January 31, 2009, except as noted below.

Goodwill and intangible assets

In February 2008, the CICA's Accounting Standards Board issued Section 3064 "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This Section is effective for interim and annual financial statements beginning on October 1st, 2008, and establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally-generated intangible assets, are aligned with International Financial Reporting Standards ("IFRS") International Accounting Standard 38 "Intangible Assets". The adoption of this Section did not have any impact on the Company's financial statements.

Credit risk and the fair value of financial assets and financial liabilities

In the second quarter of 2009, the Company adopted EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." Under this new standard, an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of these guidelines did not have any impact on the Company's financial statements.

3. Future changes in accounting policies

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the following new Handbook Sections:

- Section 1582, « Business Combinations »
- Section 1601, « Consolidated Financial Statements » ; and
- Section 1602, « Non-controlling interests ».

Section 1582, which replaces the former Section 1581, requires all business combinations to be accounted for by applying the acquisition method. Under this method, assets acquired and liabilities assumed are measured at their full fair value at the date of acquisition, unless another standard requires otherwise. Section 1582 provides the option of accounting for non-controlling interest at either fair value, or at the non-controlling interest's proportionate share of the

(all tabular figures are in thousands of dollars)

3. Future changes in accounting policies (continued)

identifiable net assets acquired. Acquisition costs associated with a business combination are to be expensed in the periods in which they are incurred. Section 1601 carries forward the standards for the preparation of consolidated financial statements of former Section 1600, while Section 1602 requires non-controlling interests to be reported as a separate component of equity with net income calculated without deduction for non-controlling interests. Rather, net income is to be allocated between controlling and non-controlling interest.

These three new Sections are to be implemented concurrently and apply prospectively to all business combinations for which the acquisition date is on or after January 1, 2011, with earlier application permitted. The Company expects that the adoption of this Section will not carry any impact on the Company's annual financial statements.

Adoption of international financial reporting standards in Canada

The Canadian Accounting Standards Board has confirmed that IFRS will replace the current Canadian GAAP for publicly-accountable profit-oriented enterprises. These new standards are applicable to fiscal years beginning on or after January 1, 2011, and companies will be required to provide comparative IFRS information for the fiscal year immediately preceding that date. The Company will have to implement this standard in the first quarter of its fiscal year ending January 28, 2012. The transition from current GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company will invest in training throughout the transition period to facilitate a timely conversion.

4. Additional information on the cost of goods sold

For the second quarter ending August 1 2009, the cost of inventories recognized as an expense and included in cost of goods sold, operating and administrative expenses totalled $5.3 million ($5.5 million in 2008) and $9.7 million ($9.5 million in 2008) for the six month period ended at the same date. Included in these amounts is $484,000 ($358,000 in 2008) relating to write-downs taken during the semester as a result of net realizable value being lower than cost. No inventory write-downs recognized in previous periods were reversed.

5. Interest

	Three months ended		**Six months ended**	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
	$	$	**$**	$
Long-term debt	**175**	100	**348**	189
Others	**21**	24	**45**	50
	196	124	**393**	239
Interest income	**-**	(26)	**(4)**	(79)
	196	98	**389**	160

(all tabular figures are in thousands of dollars)

6. Income taxes

Income tax expense (recovery) is as follows:

	Three months ended		Six months ended	
	August 1,	August 2,	**August 1, 2009**	August 2, 2008
	$	$	**$**	$
Current income taxes	**-**	310	**-**	352
Future income taxes	**(20)**	112	**(106)**	177
	(20)	422	**(106)**	529

7. Earnings (loss) per share

Presented below is the detailed reconciliation of the numerators and denominators of the calculation of the basic and diluted earnings (loss) per share.

	Three months ended		Six months ended	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
	$	$	**$**	$
Basic				
Net earnings (loss)	**(169)**	839	**(455)**	1,006
Earnings (loss) per share, basic	**-**	-	**-**	0.01
Weighted average number of shares outstanding, basic	**167,678,115**	172,677,515	**167,678,115**	172,677,515
	$	$	**$**	$
Diluted				
Net earnings (loss)	**(169)**	839	**(455)**	1,006
Adjustment related to debentures	**-**	-	**-**	-
Adjusted earnings (loss)	**(169)**	839	**(455)**	1,006
Weighted average number of shares outstanding	**167,678,115**	172,677,515	**167,678,115**	172,677,515
Dilution effect from stock option plan	**-**	98,326	**-**	-
Adjusted weighted average number of shares outstanding	**167,678,115**	172,775,841	**167,678,115**	172,677,515
	$	$	**$**	$
Earnings (loss) per share, diluted	**-**	-	**-**	0.01

Options giving the right to buy 4,900,000 shares during period ended August 1, 2009 (10,134,376 in 2008), and likely to dilute the basic earnings per share in the future, were not taken into account in the calculation of diluted earnings (loss) per share because of their anti-dilutive effect.

(all tabular figures are in thousands of dollars)

7. Earnings (loss) per share (continued)

Warrants expired in September 2008, giving in the right to buy 750,000 common shares at the first semester of 2008 were not taken into account in the calculation of diluted earnings per share because of their anti-dilutive effect.

Debentures for $4,500,000 ($2,500,000 in 2008) which can be converted into 22,500,000 common shares (12,500,000 in 2008) likely to dilute the basic earnings per share in the future were not taken into account in the calculation of diluted earnings (loss) per share because of their anti-dilutive effect.

8. Capital assets

As at	**August 1, 2009**		August 2, 2008		January 31, 2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	$	**$**	$	$	$	$
Equipment	**1,634**	**733**	851	548	1,552	619
Software	**726**	**181**	392	152	614	127
Leasehold improvements	**10,816**	**3,508**	7,866	2,398	9,556	2,890
	13,176	**4,422**	9,109	3,098	11,722	3,636
Accumulated amortization	**4,422**		3,098		3,636	
Net book value	**8,754**		6,011		8,086	

The net book value of the capital assets includes $879,000 in capital lease (nil as at August 2, 2008 and $953,000 as at January 31, 2009). Respectively $406,000 in equipment (nil as at August 2, 2008 and $454,000 as at January 31, 2009) and $473,000 in leasehold improvements (nil as at August 2, 2008 and $499,000 as at January 31, 2009).

9. Long-term debt

As at	**August 1, 2009**	August 2, 2008	January 31, 2009
	$	$	$
Capital lease, payable by 48 payments,			
the carrying interest rate is 5.63 %	**844**	-	958
Current portion	**238**	**-**	231
	606	-	727

On October 27, 2008, the Company secured a capital lease with RBC Royal Bank to finance computer equipments and leasehold improvements for the new head office and distribution centre. This capital lease is payable in 48 instalments and bear a fixed interest rate of 5.63%.

As at August 1, 2009, the Company has an on-demand credit facility for a maximum amount of $3,000,000, renewable annually in October, of which none has been used. The maximum allowable amount is limited to a percentage of the value of inventories less specific reserves and priority claims. In the normal course of business in 2008, the Company issued letters of credit and letters of guarantee against this facility for a total of $200,000, which are expiring in September 2009.

(all tabular figures are in thousands of dollars)

9. Long-term debt (continued)

This facility is secured by a universal first mortgage on inventories, receivables and capital assets of the Company and bears interest at prime plus 1.15% (1.15% in 2008). Under the agreements relative to the credit facility, the Company is subject to certain restrictive clauses concerning compliance with financial ratio at the end of fiscal year. As at January 31, 2009, the Company was in compliance with the applicable financial covenant under this credit facility which is a debt service coverage ratio of not less than 1.75: 1 at the date of the year-end.

10. Liability component of the convertible debentures

As at	**August 1, 2009**	August 2, 2008	January 31, 2009
	$	$	$
Unsecured convertible debentures with carrying annual interest rate of 8 %, payable monthly	**4,425**	2,500	4,500
Convertible right value presented in equity	**(1,137)**	(1,005)	(1,137)
	3,288	1,495	3,363
Financing fees	**(197)**	(197)	(197)
Interest capitalized	**477**	212	331
Liability component of the convertible debentures	**3,568**	1,510	3,497
Current portion	**900**	42	525
	2,668	1,468	2,972

On May 25, 2007, Groupe Bikini Village inc. had announced that it had signed a subscription agreement with the Solidarity Fund QFL (the “Fund”), pursuant to which the Fund could invest up to $4.5 million in the Company. By the end of the second quarter of 2007, the Fund had already subscribed to an unsecured convertible debenture in the amount of $2.5 million. Until May 25, 2009, the Fund could subscribe, at the request of the Company, subject to certain conditions, to additional debentures of up to $2 million, for a total investment of $4.5 million.

On October 21, 2008 at the request of the Company, the Fund subscribed to additional debentures for an amount of $2 million.

These debentures bear an annual interest rate of 8%, payable monthly, and are bought back by the Company in 60 equal monthly payments since July 1, 2009.

Since June 1, 2009, the Fund has the option to convert its debentures 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 its debentures at a more advantageous rate.

The Company has accounted for the liability and the shareholders' equity components of the unsecured convertible debentures separately, in accordance with the Canadian generally accepted accounting principles in effect on the date of issuance of these debentures. The first $1,495,000 liability component representing the current value of the future payments of interest required toward the debentures, using the interest rates that prevailed for the non-convertible financial instruments as of the date of issue have been posted in 2007, and then a passive component of $1,868,000 has been posted in regards of the 2008 debentures’ emissions.

(all tabular figures are in thousands of dollars)

10. Liability component of the convertible debentures (continued)

As at May 25, 2007, the equity component of $1,005,000 (recorded separately in shareholders' equity) represents the current value of the conversion option for the convertible debentures. As at October 21, 2008, the equity component of the second part, $132,000 (recorded separately in shareholders' equity) represents the current value of the option for the convertible debenture holders.

Charges in the amount of $197,000 were incurred in 2007 in the course of implementing financing, to a maximum of $4.5 million, in convertible, unsecured debentures. These charges were capitalized and amortized based on the effective interest rate method (27.1%).

11. Share capital

As at		**August 1, 2009**	August 2, 2008	January 31, 2009
		$	$	$
Authorized				
Unlimited number of common shares with voting rights				
Unlimited number of preferred shares without voting rights				
Issued and outstanding				
Common shares				
167,678,115	(168,677,515 as at January 31, 2009, 172,677,515 as at August 2, 2008)	**27,702**	28,528	27,867
-	treasury stock ((999,400) as at January 31, 2009)	**-**	-	(165)
167,678,115	(172,677,515 as at August 2, 2008)	**27,702**	28,528	27,702

On April 28, 2008, the Company announced its intention to proceed with a normal course issuer bid to repurchase its own shares for cancellation, thereby increasing the proportionate value of each remaining shareholder's holdings. Under the bid, the Company could 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 started on April 30, 2008 and ended on April 29, 2009. The price paid for the Shares has been the market price at the time of acquisition, and the number of Shares purchased and the timing of any such purchases have been determined by the Company's management. Shares purchased by the Company have been subsequently cancelled. Between April 30, 2008 and April 29, 2009, the Company repurchased 4,999,400 Shares at an average price of $0.046 per share, for a total of $230,000. As of January 31, 2009, discount of $596,000 was recorded in contributed surplus.

12. Stock option plan

The Stock Option Plan (the "Plan") in place provides its optionees with additional inducement to promote, to the best of their ability, the interest of the Company and to reward their management skills, special contribution, efforts, performance, services rendered or to be rendered and loyalty.

The expiration date of each option, the exercise price thereof, the number of shares issuable thereunder, the vesting period and other terms and conditions of exercise of each option shall, subject to the rule of the Toronto Stock Exchange, be determined, by way of a resolution, by the Board of Directors of the Company at the time the option is granted to the optionee.

(all tabular figures are in thousands of dollars)

12. Stock option plan (continued)

Subject to any restriction that may be imposed by the Board of Directors of the Company, the period during which an option granted under the Plan shall be exercisable shall be ten years from the date the option is granted to the optionee.

The table below is a summary of the information related to the August 1, 2009 purchase options;

	Options outstanding			Exercisable options	
Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life	Weighted average exercise price	Number of exercisable options	Weighted average exercise price
$			$		$
0,08	3,400,000	8,7	0,08	2,266,663	0,08
0,11 à 0,13	1,500,000	7,1	0,12	1,166,667	0,12
	4,900,000	8,2	0,09	3,433,330	0,09

On April 29, 2008, the Company granted 3,400,000 common stock options shares to certain Officers and Directors of the Company at an exercise price of $0.08; these options can be exercised at any time during the ensuing three years, at a rate of 33 1/3% per year. These options mature in 2018. The fair value of these options was estimated at $209,000 on the grant date using the Black-Scholes option pricing model according to the following assumptions: interest rate without risk of 3.4%, nil dividends, estimated useful life of seven years, predicted volatility of 85%. During the six-month period ended August 1, 2009, the compensation expense recorded on the Statement of Operations with regard to this allocation was $35,000 ($19,000 in 2008). In addition, the compensation expense recorded on the Statement of Operations with regard to the previous year's allocation is $17,000 ($25,000 in 2008).

During the period of six months ended August 1, 2009, 501 stock options (751 in 2008) expired.

13. Related party transactions

During the six-month period ended August 1, 2009, no fees were paid to the former Chairman of the Board of the Company, who is currently a Director ($94,750 in 2008). In conjunction with the relocation of its corporate headquarters in 2008, the Company no longer receives occupancy revenues from the former Chairman of the Board (it received $9,750 in occupancy revenues in 2008).

These amounts were presented in the cost of goods sold, operating costs and administrative expenses in the statements of operations and comprehensive earnings. These transactions were carried out in the normal course of business and have been accounted for at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(all tabular figures are in thousands of dollars)

14. Supplementary cash flow information

	Three months ended		Six months ended	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
	$	$	**$**	$
i) Adjustments for:				
Amortization	**401**	411	**786**	705
Interest capitalized on the liability component of debentures	**75**	50	**146**	90
Stock-based compensation plan	**26**	30	**52**	44
Future income taxes	**(20)**	112	**(106)**	177
Amortization of deferred lease credit	**(26)**	(11)	**(44)**	(20)
Deferred lease credit	**38**	22	**71**	44
Loss on disposal of capital assets	**-**	3	**-**	3
	494	617	**905**	1,043
ii) Net changes in non-cash working capital items				
Accounts receivable	**(220)**	47	**(167)**	118
Income taxes	**-**	235	**-**	122
Inventories	**245**	175	**136**	(451)
Prepaid expenses	**823**	131	**(13)**	(103)
Accounts payable and accrued liabilities	**582**	301	**(638)**	(863)
	1,430	889	**(682)**	(1,177)
iii) Supplementary information				
Cash amount paid				
Interest	**103**	50	**234**	99
Income taxes	**-**	67	**-**	222

15. Commitments

The Company is committed under long-term leases for commercial space. Most of these leases have a minimum annual rent and an additional rent based on the percentage of gross sales and renewal options which can be exercised at the Company's or lessor's option. The minimum lease payments required in the coming years are as follows:

2010 (6 months)	2011	2012	2013	2014	Subsequently
$2,653	$4,869	$4,176	$3,543	$2,177	$3,476

16. Capital disclosures

The Company's objectives in managing capital are to ensure sufficient liquidity to enable the internal financing of capital projects and working capital needs, thereby facilitating its expansion, to maintain a strong capital base so as to maintain investor, creditor and market confidence and to provide an adequate return to shareholders.

The Company's capital is composed of long-term debt including current portion of the debt and shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new store additions and existing store renovation projects. Groupe Bikini Village inc. currently funds these requirements out of its internally-generated cash flows and its financing facilities already in place. The Company's long-term debt consists of convertible, unsecured debentures and a capital lease. The Board of Directors does not establish quantitative return on capital criteria for management, but rather, promotes year-over-year sustainable profitable growth. The board of directors monitored the activities of the program of buyback of shares. The Company is subject to financial covenant under capital lease agreement.

17. Financial risks and financial instruments

Liquidity risks

Liquidity risk is the risk that the Company will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure that it has sufficient funds to fulfil its obligations. The Company has long term debt outstanding, requiring principal payments of $1,138,000 during the next twelve months. The information about the payments in capital during the subsequent years is presented in Notes 10 and 11 Long-term debt and Liability component of the convertible debentures of annual financial statements for the year ended January 31, 2009. Accounts payable and accrued liabilities are all current.

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company conducts certain commodities transactions in foreign currencies. The Company manages this risk with forward contracts. As at August 1, 2009, the Company had forward contracts denominated in U.S. dollars amounting to $803,000 ($412,000 as at August 2, 2008), with maturity dates until April 2010 (until October 2008 as at August 2, 2008), and rates between 1.16 and 1.219 (1.01 and 1.02 in 2008). As of August 1, 2009, the fair value of unrealized gains or losses on the forward contracts has been recorded to the operations. There were no U.S. accounts payable included in the balance sheet as at August 1, 2009. ($22,000 as at August 2, 2008).

The Company has performed sensitivity analysis on its U.S. dollar denominated financial instruments, at August 1, 2009, to determine how a change in the U.S. dollar exchange rate would impact net earnings (loss). On August 1, 2009, a 10 % rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $104,000 decrease or increase, respectively, in the Company's net loss for the semester ended August 1, 2009.

Interest rate risk

The Company's exposure to interest rate fluctuations is on interest earned on its cash, cash equivalents and interest paid on the credit line. Facilities for short-term credit described in Note 9 bear interest at variable rates, while long-term debt has a fixed rate.

17. Financial risks and financial instruments (continued)

The Company has performed sensitivity analysis on interest rate risk at August 1, 2009, to determine how a change in interest rates would impact equity and net earnings. During the second quarter of 2009, the Company earned $4,000 of interest income on its cash, cash equivalents and paid $1,000 in interest on the credit line used. An increase or decrease of 100 basis points in the average interest rate earned during the period would have increased of $10,000 or decreased of $4,000 equity and net earnings. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Fair value disclosure

The Company has classified its financial assets and liabilities as follows:

- Cash and cash equivalents, as “held for trading”.
- Accounts receivable are classified as “loans and receivables”.
- Account payable and accrued liabilities as well as long term debt are classified as “other financial liabilities”

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are all short-term financial instruments; consequently, their fair values approximate their carrying values.

The fair value of the long-term debt financial instrument is not significantly different from its carrying value. The estimated fair value could differ from the amount that would be obtained if there was an immediate settlement of the instruments.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current period.

GROUPE
Bikini Village
inc.

2101-A Nobel, Ste-Julie, Québec J3E 1Z8
www.bikinivillage.com