

To our Shareholders:

In the third quarter of 2010, Groupe Bikini Village inc. ("Groupe Bikini Village" or the "Company") delivered sales almost on par with those of the same quarter last year – and, for the second year running, achieved solid sales in a quarter traditionally marked by a seasonal slowdown in business volumes.

2010 third quarter results

Net sales for the third quarter which ended October 30, 2010 were \$6.5 million compared to \$6.7 million in the corresponding quarter of the previous year. Comparable sales, which compares the sales from the same number of stores year over year, increased by 2% for the quarter.

The Company was able to stem operating loss (EBITDA¹) for the third quarter at \$1.5 million, down \$0.4 million from the \$1.9 million operating loss (EBITDA¹) in the same period in 2009, by tightly managing inventories, focusing on full-price selling, and controlling costs. While the third quarter traditionally presents a challenge due to the seasonal nature of the swimwear business, Groupe Bikini Village's third quarter results over the last two years demonstrate the effectiveness of these strategies.

For the quarter ended October 30, 2010, the Company's net loss was \$1.5 million ((\$0.81) per share*, basic and diluted), as compared to net loss of \$1.8 million ((\$1.34) per share*, basic and diluted) for the same quarter in the previous year.

Results for the first nine months of 2010

Net sales for the nine-month period ended October 30, 2010 were \$30.8 million, up from \$28 million in the corresponding period of the previous year. This increased level of sales at the three-quarter mark in the year largely to its efficient and dynamic inventory management strategy, which has allowed the Company to focus on full-price selling and to fully benefit from the improved weather conditions its markets enjoyed in the second quarter of 2010. Comparable sales, which compares the sales from the same number of stores year-over-year, increased by 11.2% in the first nine months of 2010 over the first nine months of 2009.

Groupe Bikini Village delivered positive EBITDA¹ of \$1 million in the nine-month period ended October 30, 2010 compared to negative EBITDA¹ of \$1.3 million for the comparable nine-month period in the previous year. Our \$2.3 million increase in operating income in the three first quarters of 2010 is the direct result of our strategy to tightly manage inventories, focus on full-price selling and control costs – all of which led to a stronger overall gross margin, better store contributions and a reduction in our overhead expenses.

For the nine-month period ended on October 30, 2010, net loss totalled \$521,000 ((\$0.37) per share* basic and diluted), as compared to net loss of \$2.3 million ((\$1.69) per share*, basic and diluted) in the same period of 2009.

Outlook ²⁾

The reduction in the Company's loss in the third quarter is solid evidence that the restructuring efforts we have undertaken over the last three years have been appropriate – and are working. The disciplined approach Groupe Bikini Village initiated three years ago has made the Company more competitive, and we are confident and enthusiastic as we look ahead. This approach will remain central to our activities in the months to come, as we continue to focus on sales and profitability.

* After taking into account the 1 for 125 stock consolidation which took effect on September 30, 2010.

1 Not a Canadian generally accepted accounting principle (Canadian "GAAP") measure, as described on page 4 of the MD&A for the nine-month period ended October 30, 2010; reconciliation with the most directly comparable financial GAAP measures is presented on page 7 of this report.

2 To be read in conjunction with "Forward-Looking Statements" on page 5 of the MD&A for the nine-month period ended October 30, 2010.

Groupe Bikini Village enters the last quarter of 2010 with a good inventory situation and a strong cash position, due to the improved balance sheet that resulted from both our improved year-to-date performance, and our successful rights offering and private placement.

In the final quarter of 2010 and beyond, we look forward to leveraging these strengths – and the flexibility they allow us to show – to further our efforts in building shareholder value. Whether we do it by creating our own opportunities or by considering other strategic alternatives that may arise, building on our momentum – and on the value we deliver for our investors – will be our central focus.

Acknowledgements

Groupe Bikini Village's management team thanks our customers for their business, our Board for their involvement, our employees for their commitment, and our landlords, suppliers, and lenders for their continued role in our success. Again this quarter, we thank our shareholders for their confidence in our strategies to improve the Company's position in challenging economic times. As always, we remain committed to finding new ways to build value for you, in the balance of 2010 and beyond.



Yves Simard, C.A.
President and Chief Executive Officer
Sainte-Julie, December 9, 2010

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

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
Operating results				
Operating revenue	\$6,527	\$6,658	\$30,785	\$27,980
Operating income (loss) - EBITDA ¹	(1,498)	(1,885)	1,004	(1,305)
In % of sales	(23.0)%	(28.3)%	3.3 %	(4.7)%
Net loss	(1,478)	(1,794)	(521)	(2,273)
In % of sales	(22.6)%	(26.9)%	(1.7)%	(8.1)%
Loss per share *				
Basic and diluted	(0.81)	(1.34)	(0.37)	(1.69)
Weighted average number of outstanding shares * (in thousands)				
Basic and diluted	1,819	1,341	1,396	1,341
Other statistics				
Investment activities - net (in thousands \$)	396	164	1,205	1,419
Number of stores at the end of the period	60	63	60	63
Number of employees	470	475	470	475

* After taking into account the 1 for 125 stock consolidation which took effect on September 30, 2010.

¹ Not a Canadian generally accepted accounting principle (Canadian "GAAP") measure, as described on page 4 of the MD&A for the nine-month period ended October 30, 2010; reconciliation with the most directly comparable financial GAAP measures is presented on page 7 of this report.

This management report, dated December 9, 2010 focuses on the commercial activities and financial results of Groupe Bikini Village inc. (“Groupe Bikini Village” or “the Company”) for the three-month and nine-month periods ended October 30, 2010, and should be read in conjunction with the unaudited financial statements for the period ended October 30, 2010 and the notes thereto. The financial information is in Canadian dollars.

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COMPANY PROFILE

Groupe Bikini Village, incorporated pursuant to the Canadian Business Corporations Act, retails swimwear, beachwear, travel clothing and various beach accessories and products through its “Bikini Village” and “Ocean Bikini Village” stores.

In the third quarter of 2009, the Company also opened its first “Lanaï” pilot store, a destination of choice for a full range of lifestyle products bearing young women’s favourite brands’ signature styles.

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 and in the “Risk Factors” section of the Company’s current Annual Information Form. 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 December 9, 2010 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 30, 2010, as well as the notes therein concerned.

SEASONALITY OF BUSINESS

The Company’s activities are seasonal, and merchandise sales are generally higher in the second and fourth quarters. As a result, the operating loss for the quarter ended October 30, 2010 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 leader in the retail sale of beachwear products through 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. The newest addition to its retail network, Lanai, offers the most popular clothing brands for young women, in Brossard, Quebec. Headquartered in Sainte-Julie, Quebec, Groupe Bikini Village inc. operates 60 stores and employs approximately 470 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

The investments Groupe Bikini Village has made in renovating its retail network over the last few years have given the Company a competitive advantage in its markets today – and we continue to invest in our network, to keep uncovering new opportunities to increase sales and improve the experience we offer our customers. To date in 2010, we have:

- Opened a new store in Waterloo, Ontario;
- Relocated three Quebec stores and one Ontario store in new premises better aligned with our needs and our performance conditions;
- Completely renovated two of our stores in Ontario, including our Toronto Eaton Centre store; and
- Closed four underperforming stores.

At the date of this report, our retail network is as follows:

	Quebec	Ontario	New Brunswick	Nova Scotia	Total
Bikini Village	29	26	1	1	57
Ocean Bikini Village	2				2
Lanaï	1				1
TOTAL :	32	26	1	1	60
Recently opened or renovated	21	15	1	1	37
In %	66%	58%	100%	100%	62%

The report which follows outlines the strides we have made in tweaking our operating strategy to suit changing market conditions. This report also examines a number of factors that affected our results in the periods of 2010 and 2009 under discussion.

The following is a summary of selected financial information, together with the comparative results, for the periods of three and nine months ended October 30, 2010 and for the periods of three and nine months ended October 31, 2009.

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

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
	\$	\$	\$	\$
Operating revenue	6,527	6,658	30,785	27,980
Operating income (loss)- EBITDA ¹	(1,498)	(1,885)	1,004	(1,305)
Less:				
Interest	155	192	505	581
Amortization	365	392	1,128	1,177
Loss before income taxes	(2,018)	(2,469)	(629)	(3,063)
Income taxes recovery	(540)	(675)	(108)	(790)
Net loss	(1,478)	(1,794)	(521)	(2,273)
Loss per share *				
Basic and diluted	(0.81)	(1.34)	(0.37)	(1.69)
Weighted average number of outstanding shares * (in thousands)				
Basic and diluted	1,819	1,341	1,396	1,341
Cash flows from				
Operating activities	(3,232)	(1,714)	(601)	(2,145)
Financing activities	1,698	(284)	1,192	(246)
Investing activities	(396)	(164)	(1,205)	(1,419)
Total assets	19,401	18,200	19,401	18,200
Total long-term debt ²	2,281	3,099	2,281	3,099

* After taking into account the 1 for 125 stock consolidation which took effect on September 30, 2010.

1 Not a Canadian generally accepted accounting principle (Canadian "GAAP") measure, as defined on page 4 of this MD&A; this table provides 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.

Third quarter and nine-month period ended October 30, 2010 compared to third quarter and nine-month period ended October 31, 2009*Operating Revenues*

The Company's sales for the three-month period ended October 30, 2010 decreased to \$6.5 million, from \$6.7 million for the same three-month period last year. Our comparable sales result, which compares the sales from the same number of stores year over year, during the third quarter. With its consistent sales performance in the third quarter of 2010 as compared to 2009, Groupe Bikini Village delivered a second straight year of solid sales in a quarter traditionally marked by a seasonal slowdown in its business volumes.

In the nine-month period ended October 30, 2010, sales totalled \$30.8 million, an increase of 10% over the same period last year, when sales were \$28 million. In that same nine-month period, comparable sales increased by 11.2% over the same period in 2009. Groupe Bikini Village has enjoyed the return to normal market conditions since the beginning of 2010, a significant improvement over the sales environment in the first half of 2009, which was marked by economic recession, unseasonable weather conditions, and the impacts of the H1N1 influenza virus. The positive effects of the improved market environment were enhanced by the Company's dynamic inventory management strategy, which allowed us to focus on full-price selling and fully benefit from the improved weather conditions our markets experienced in the second quarter of 2010.

Operating Income (loss) - EBITDA¹

For the third quarter of 2010, the Company delivered negative EBITDA¹ (as previously defined in "Non-GAAP Financial Measures") of \$1.5 million, or (23%), compared to negative EBITDA¹ of \$1.9 million, or (28.3 %), for the third quarter of 2009.

The \$0.4 million decrease in operating loss in the third quarter of 2010 compared to the third quarter of 2009 was primarily the result of increased gross margin on sales of \$0.2 million attributable to our strategy to focus on full-price selling and tightly manage inventories. We also created a decline in variable operating costs by closing underperforming stores and maintaining strict control of expenses.

For the nine-month period ended October 30, 2010, EBITDA¹ totalled \$1 million, or 3.3%, compared to a negative EBITDA¹ of \$1.3 million, or (4.7%), in the corresponding period last year. The positive variance of \$2.3 million in EBITDA¹ for the first nine months of 2010 compared to 2009 was primarily the result of increased gross margin on sales of \$2.4 million, attributable to both the increase in sales volume and our strategy to focus on full-price selling and to tightly manage inventories. Variable operating costs, mainly salaries, were increased due to both the higher business volume and the increase in the minimum wages in Quebec and Ontario – however, strict management of direct and administrative costs almost completely offset the increased salaries, on a cumulative basis.

Financing Charges and Amortization

Financing charges decreased from \$192,000 in the third quarter of 2009 to \$155,000 in the third quarter of 2010, due to lower interest charges on convertible debentures because of the capital repayments that began in July 2009.

Financing charges for the nine-month period ended October 30, 2010 decreased to \$505,000, from \$581,000 in the corresponding period of 2009, for the same reasons stated above. The financing charges include a \$198,000 (\$218,000 in 2009) non-cash interest expense, calculated on the debt component of the convertible debentures.

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.

The amortization expense for the quarter ended October 30, 2010 decreased by 6.9% to \$365,000, compared to \$392,000 for the quarter ended October 31, 2009. This decrease was due to the closure of underperforming stores while in 2009, the Company accelerated amortization of certain capital assets in order to align their book value with their remaining useful lives.

For the nine-month period ended on October 30, 2010, amortization expense decreased to \$1.1 million from \$1.2 million in the comparable period in 2009 – a decrease of 4.2%.

Loss Before Income Taxes

For the quarter ended October 30, 2010, the Company registered \$2 million in loss before income taxes, compared to a loss of \$2.5 million before taxes in the comparable period the previous year. The loss before income taxes decreased by \$0.5 million, partly due to the marginal contribution of sales, to the decrease in variable expenses and to the Company's strict control of the direct and administrative costs as well as the decrease of the amortization and interest charges as previously discussed.

For the nine-month period ending on that same date, the Company registered \$629,000 in loss before taxes, compared to a \$3.1 million loss before taxes for the comparable period in 2009. The loss before income taxes for the first nine months of 2010 decreased by \$2.4 million mainly due to the marginal contribution of sales, while the increase in variable expenses described above was completely offset by management's strict management of direct and administrative costs, as well as the decrease in amortization costs and interest.

Income Taxes

Groupe Bikini Village recorded income tax recovery in the amount of \$108,000 during the first nine months of 2010, representing a tax rate of 17.2%, compared to income tax recovery of \$790,000 or 25.8% for the corresponding period in 2009. The difference in tax rates is mainly due to the ratio between the amount of fiscally non-deductible charges and loss before income taxes.

Net Loss

Net loss in the quarter ending October 30, 2010 was \$1.5 million ((\$0.81) per share*, basic and diluted), as compared to net loss of \$1.8 million ((\$1.34) per share*, basic and diluted) in the corresponding period last year.

In the first nine months of 2010, net loss totalled \$521,000 ((\$0.37) per share*, basic and diluted), compared to net loss of \$2.3 million ((\$1.69) per share*, basic and diluted) for the first nine months of 2009. The difference of \$1.8 million in net loss is due to the \$2.4 million decrease in loss before income taxes, offset by lower tax recovery of \$0.6 million, as explained previously.

CASH POSITION

Operating Activities

Cash flows used by operations in the three-month period ended October 30, 2010 increased by \$1.5 million over those used in the comparable period of the previous year (from \$1.7 million to \$3.2 million). This increase use of cash resulted from several factors, including:

- - increase in sales taxes receivable resulting of purchases increase (\$37,000);
- - collection in 2009 of tenants allowances (\$185,000);
- collection in 2009 of the income taxes receivable (\$253,000);
- reduction of inventories, in the third quarter of 2009 (\$368,000);
- increase in the prepaid expenses related to an increase in advances to suppliers for import activities and advertising campaigns (\$324,000);

• After taking into account the 1 for 125 stock consolidation which took effect on September 30, 2010

- - higher payments to suppliers in 2010 related to an increase volume of purchasing at that time (\$483,000);
- variance in sales taxes based on higher sales in the second quarter of 2010 (\$149,000);
- decrease of the net loss, \$316,000 generated.

For the nine-month period ended October 30, 2010, cash flows used by operations decreased by \$1.5 million (from \$2.1 million used in operations to \$601,000). This decrease was primarily the results of :

- a lower net losses of \$1.8 million;
- a reduction in future income tax assets of \$682,000 which was largely due to the reduction in reportable losses;

The impact of these being moderated by:

- the collection in 2009 of the \$253,000 income taxes receivable;
- the increase in prepaid expenses in connection with amounts paid for advertising campaigns of \$218,000 disbursed earlier than in 2009
- the payments for sales taxes higher by \$403,000 compared to the previous year where the input tax credit were higher.

Financing Activities

During the third quarter of 2010, the Company repaid \$73,000 toward its obligations under capital leases and its long-term debt and \$225,000 on convertible debentures. The Company also proceeded to a rights offering as well as a concurrent private placement, which generated \$2 million net of fees. A total of \$1.7 million was generated during the third quarter of 2010. For the corresponding period in 2009, the Company repaid \$59,000 on its obligations under capital leases and \$225,000 on convertible debentures. A net total of \$284,000 was used in 2009 for financing activities.

During the nine-month period ended October 30, 2010, the Company obtained a long-term loan of \$75,000 for improvements to its distribution centre, and repaid \$204,000 in accordance with its obligations under capital leases and its long-term debt, as well as \$675,000 on convertible debentures. During this period, the Company also proceeded to a rights offering as well as a concurrent private placement, which generated \$2 million net of fees. A total of \$1.2 million was generated during the first nine months of 2010. During the nine-month period ended October 31, 2009, the Company repaid \$173,000 in accordance with its obligations under capital leases and \$300,000 on convertible debentures; the Company also recorded \$227,000 in lease inducements receivable. A net total of \$246,000 was used in the first nine months of 2009 for financing activities.

Investment Activities

Investment activities in the third quarter of 2010 required \$396,000, compared to \$164,000 during the corresponding period one year earlier. During the third quarter of 2010, two stores were relocated to new premises in Quebec, one store in Ontario was renovated, and we initiated preliminary work for the move of a store to an improved location in Ontario. The financing obtained in August 2010 and discussed in the "Financing Activities" section above was used to support these investments activities.

For the first nine months of 2010, investment activities totalled \$1.2 million, compared to \$1.4 million in 2009. A new store was built in Ontario; two stores were relocated to new premises in Quebec; two stores in Ontario were renovated; and, finally, we completed additional improvements at the distribution centre. During the first nine months of 2009, the Company initiated to the renovation of two stores and the construction of four new stores; it also made investments related to the improvements in our distribution centre.

FUTURE CASH POSITION ¹⁾

At October 30, 2010, the Company had available cash of \$3.3 million and an on-demand credit facility of up to \$3 million, renewable annually of which none had been used. This credit facility was renewed on April 30th, 2010 with the following terms: a first segment of \$1.5 million is available at all times and, if necessary, a seasonal increase of \$1.5 million is also available from September 15 to December 15, for a total of \$3 million. 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. On October 30th, 2010, the available amount according to the margination formula was \$1.3 million. In the normal course of business in fiscal 2010, the Company issued letters of credit and letters of guarantee against this facility, for a total of \$165,000, expiring in August 2011.

This facility is secured by a universal first mortgage on inventories, receivables and capital assets of the Company, and bears interest at prime plus 3.95% (3.0% in 2009). Under the agreements relative to the credit facility, the Company is subject to a restrictive clause concerning compliance with a financial ratio. On October 30th, 2010, the Company was in compliance with the applicable restrictive clause under this credit facility.

Current flexibility and the prospective cash flows from operations will be the primary funding sources for working capital requirements, repayment of long-term debts and convertible debentures. The additional financing obtained in August 2010 through a rights offering and concurrent private placement was used to renovate four stores in the third quarter of 2010 and will serve to finance, in addition to general needs of working capital if necessary, our prospective needs related to capital expenditures.

Our improved cash situation following our last quarter's performance and successful rights offering and private placement will give Groupe Bikini Village greater flexibility in the future.

Commitments

The Company has committed to 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 that 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):

2011 (3 months)	2012	2013	2014	2015	Subsequently
\$1,319	\$5,117	\$4,531	\$3,119	\$2,231	\$3,023

USE OF ESTIMATES

In the nine-month period ended October 30, 2010, there were no significant changes in our critical accounting estimates from those described in our fiscal 2009 MD&A.

APPROVAL OF THE FINANCIAL STATEMENTS

The Company's interim financial statements were approved by its Board of Directors on the recommendation of its Audit Committee, prior to release.

ACCOUNTING STANDARDS IMPLEMENTED IN THE FIRST NINE MONTHS OF 2010

During the first nine months of 2010, the Company followed the same accounting policies and procedures used for the year ended on January 30, 2010.

FUTURE CHANGES IN ACCOUNTING POLICIES

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections:

¹ To be read in conjunction with "Forward-Looking Statements" on page 5 of this MD&A.

- 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 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 of the Company for which the acquisition date is on or after January 30, 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 International Financial Reporting Standards (“IFRS”) will replace the current Canadian Generally Accepted Accounting Principles (“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 implement these standards 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.

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 has completed the detailed assessment phase, which involves a comprehensive impact analysis of the differences between Canadian GAAP and IFRS identified in the initial assessment phase.

Groupe Bikini Village has determined that the impact of the application of IFRS on its business processes and financial systems will not be significant. The Company’s internal controls will not be materially affected by the transition to IFRS. The IFRS differences may lead to presentation and process changes to report more detailed information in the notes to the financial statements, but IFRS is not currently expected to lead to many differences in the accounting treatments used by Company. Disclosure controls and procedures may change due to the transition to IFRS, but the impact here will be minimal as well.

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.

The Company ensures that the personnel involved in the process of changeover to IFRS receive all necessary training. Management reports quarterly to the Audit Committee on the progress of the changeover plan.

At this time, the comprehensive impact of the changeover on the beginning financial position is relatively well-known according to the study and analysis of the currently available standards since the opening balance sheet under IFRS has been prepared and is currently under review. However, the comprehensive impact of the changeover on the future of the Company's financial position and results of operations has not yet been completed.

We continue to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the International Accounting Standards Board ("IASB") is expected to continue issuing new accounting standards during the transition period. Most adjustments required on transition to IFRS will be made, retrospectively, against the opening deficit as of the date of the first comparative balance sheet presented, based on standards applicable at that time. However, further to the complete analysis of the IFRS standards, we have made choices, as warranted, with regard to these standards, and noted the differences between some of these standards and our current accounting policies. The list below should not be interpreted as a comprehensive list of changes; it highlights those areas of accounting differences the Company currently believes will be most significant upon conversion to IFRS

Standards	Comparisons between IFRS and GAAP	Preliminary Findings
Fixed assets (IAS 16)	<p><i>IFRS:</i> After initial recognition, we can measure our fixed assets using the cost model or the revaluation model.</p> <p><i>GAAP:</i> The revaluation model is not allowed.</p>	<p>We will continue to use the cost model in order to avoid balance sheet variations in the fair value of fixed assets and the corresponding impact on profit/loss statements.</p> <p>No incidence in the opening balance sheet.</p>
	<p><i>IFRS:</i> We must amortize our fixed assets based on their components.</p> <p><i>GAAP:</i> Component identification rules are less stringent.</p>	<p>We conducted an analysis which concluded that there are no material components in our capital assets other than those already indicated by notes to the financial statements.</p> <p>No incidence in the opening balance sheet.</p>
Intangible assets (IAS 38)	<p><i>IFRS:</i> After initial recognition, we can measure our intangible assets using the cost model or the revaluation model.</p> <p><i>GAAP:</i> The revaluation model is not allowed.</p>	<p>We will continue to use the cost model in order to avoid statement of financial position variations in the fair value of fixed assets and the corresponding impact on statement of comprehensive income.</p> <p>No incidence in the opening balance sheet.</p>
Share-based payment (IFRS 2)	<p><i>IFRS:</i> When stock option awards vest gradually, each block is to be considered a separate award.</p> <p><i>GAAP:</i> The gradually vested blocks are considered a single award.</p>	<p>The compensation expense will have to be recognized over the expected term of each vested block.</p> <p>The contributed surplus will be different at the transition date, higher than the GAAP, which will have a negative impact on the retained earnings at the transition date.</p>

Standards	Comparisons between IFRS and GAAP	Preliminary Findings
Convertible debentures (IAS 32)	<p><i>IFRS:</i> When the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole.</p> <p><i>GAAP:</i> The measurement approaches permitted for the separation of compound financial instruments include:</p> <ol style="list-style-type: none"> 1) Assigning to the less easily measurable component the residual amount after deducting from the instrument as a whole the amount separately determined for the component that is more easily measurable; and 2) Measuring the liability and equity components separately and, to the extent necessary, adjusting these amounts on a pro rata basis so that the sum of the components equals the amount of the instrument as a whole. 	<p>The components of the convertible debentures must be re-valued to conform to IAS 32.</p> <p>This revaluation will have a significant impact on the two components and on the retained earnings at the transition date.</p>
Earnings per share (IAS 33)	<p><i>IFRS:</i> We must independently determine, for each quarter and year-to-date, the number of potentially dilutive shares to consider in calculating diluted earnings per share.</p> <p><i>GAAP:</i> The number is independently determined for each quarter, but the year-to-date is a weighted average of the periods.</p>	Diluted earnings per share will change in the future.
	<p><i>IFRS:</i> For the purpose of calculating diluted earnings per share, we must include the exercise price of the options that could be exercised in our accounting for the cost of compensation plans; this amount should be included for the duration of the vesting period during which their effect could be dilutive.</p> <p><i>GAAP:</i> The cost of vested stock options is not considered when accounting for remuneration expenses.</p>	Diluted earnings per share will change in the future.
Provisions, contingent liabilities and contingent assets (IAS 37)	<p><i>IFRS:</i> A provision is recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. "Probable" in this context means more likely than not.</p>	No incidence in the opening balance sheet.

Standards	Comparisons between IFRS and GAAP	Preliminary Findings
Provisions, contingent liabilities and contingent assets (IAS 37) (cont'd)	GAAP: The criterion for recognition in the financial statements is “likely”, which is a higher threshold than “probable.”	
Impairment of asset (IAS 36)	<p>IFRS: Impairment testing of assets is conducted at the level of the cash generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.</p> <p>GAAP: Impairment testing is conducted at the level of a group of assets or a reporting unit.</p>	<p>Our impairment testing will be conducted at the level of each store (CGU). Impairment testing of corporate assets will be done at the level of a group of CGUs.</p> <p>The long-term assets of some stores will be written down at the transition date, which will decrease the retained earnings and will have incidence on the asset in the opening balance sheet.</p>
	<p>IFRS: Single-step impairment testing of assets at the CGU level will be required. In addition, future cash flows used to determine the value of assets for impairment testing are discounted.</p> <p>GAAP: Periodic asset impairment testing is required and a two-step approach is used but discounting is not required at the initial step.</p>	<p>The IFRS one-step impairment test may lead to more frequent impairment losses or gains.</p>
Leases (IAS17)	<p>IFRS: There are no specific quantitative guidelines to determine whether the risks and rewards of ownership of the leased asset have been transferred. Each asset must be assessed qualitatively to make the determination as to whether it is an operating for finance lease.</p> <p>GAAP: Quantitative guidelines have been established to distinguish between operating leases and capital (finance) leases. Leases are treated as finance leases if, at the inception of the lease:</p> <ul style="list-style-type: none"> ✓ there is reasonable assurance that the lessee will obtain ownership of the leased asset at the end of the lease term or if there is a bargain purchase option; ✓ the lease term is 75% or more of the economic life of the leased asset or; ✓ the present value of the minimum lease payments is 90% or more of the fair value of the leased asset at the inception of the lease. 	<p>After evaluation, the Company determined that assets under finance leases for GAAP purposes will be also treated as finance leases under IFRS. This will result in no impact to the opening balance sheet.</p>

Standards	Comparisons between IFRS and GAAP	Preliminary Findings
Leases (IAS 17) (cont'd)	<p><i>IFRS:</i> Any initial direct costs of the lessee are added to the amount recognized as an asset. Therefore, at the commencement of the lease term, the asset and the liability are recognized in the balance sheet at the same amounts except for any initial direct costs of the lessee.</p> <p><i>GAAP:</i> Any initial direct costs of the lessee are expensed.</p> <p><i>* During our analysis of the IFRS, we followed the evolution of the project concerning the replacement of the IAS 17 standard on leases. In August 2010, the IASB published an exposure draft that significantly changes the way entities account for leases. The key objective of the proposed standard is to ensure that assets and liabilities arising from lease contracts are recognized in the balance sheet. This standard, if adopted as proposed in the exposure draft, would have a significant effect on the Company's balance sheet. This standard is not expected to be in effect prior to the Company's initial adoption of IFRS</i></p>	The composition of the fixed asset cost will be slightly different, higher than under GAAP, and thus an increase of the fixed assets in the opening balance sheet, though not a significant one. This will also cause an increase in retained earnings.
Income taxes (IAS 12)	<p><i>IFRS:</i> When a taxable temporary difference arises from the initial recognition of the equity component separately from the liability component of a compound financial instrument, then the resulting deferred tax liability is charged directly to the carrying amount of the equity component.</p> <p><i>GAAP:</i> If a compound instrument can be settled without the incidence of tax, the tax basis of the liability component is considered the same as its carrying amount, and, therefore, there is no temporary difference, resulting in no deferred tax.</p>	<p>A new deferred tax liability will be charged directly to the equity component of convertible debentures. It will also have a positive impact on the retained earnings on the opening balance sheet.</p> <p>As a result of the changes required by other IFRSs, an adjustment will be required that will increase opening retained earnings as a result of changes in temporary differences affecting the deferred tax assets and liabilities.</p>

Some of the differences between IFRS and our current accounting policies are bound with the financial statement presentation:

Standards	Comparisons between IFRS and GAAP	Preliminary Findings as Warranted
Statement of financial position	<p><i>IFRS:</i> A statement of financial position as at the beginning of the comparative period has to be presented when:</p> <ul style="list-style-type: none"> • an accounting policy is applied retrospectively; • items in financial statements are retrospectively restated or 	

Standards	Comparisons between IFRS and GAAP	Preliminary Findings as Warranted
Statement of financial position (cont'd)	reclassified; <i>GAAP:</i> This third balance sheet column is not required	
	<i>IFRS:</i> Deferred tax assets (liabilities) are classified as non-current items. <i>GAAP:</i> The short-term and long-term future income tax assets (liabilities) are to be presented.	
	<i>IFRS:</i> Provisions must be presented distinctively in the statement of financial position. <i>GAAP:</i> Provisions are not generally presented distinctively, because they are not the object of specific Canadian standards.	
Statement of comprehensive income	<i>IFRS:</i> All items of income and expense recognized in a period are to be presented: <ul style="list-style-type: none"> • in a single statement of comprehensive income; or • in two statements: a separate income statement and a second statement beginning with profit or loss and displaying components of other comprehensive income. <i>GAAP:</i> All comprehensive income items may be presented: <ul style="list-style-type: none"> • immediately under total net income; or • in a separate statement beginning with net income. 	We chose to present all items of income and expense in a single statement of comprehensive income.
	<i>IFRS:</i> Expenses are classified based on their nature or their function. <i>GAAP:</i> This classification of expenses is not required.	We chose to classify expenses by function and we will disclose, through a note to the financial statements, expenses by nature, as required in IAS 1.
Statement of changes in equity	<i>IFRS:</i> A statement of changes in equity must show a reconciliation between the carrying amount at the beginning and the end of the period for each component of equity. <i>GAAP:</i> Only a statement of retained earnings has to be presented.	

Standards	Comparisons between IFRS and GAAP	Preliminary Findings as Warranted
Statement of cash flows	<p><i>IFRS:</i> In the statement of cash flows, interest and dividends may be classified as follows:</p> <ul style="list-style-type: none"> • interest and dividends paid: operating cash flows or financing cash flows; • interest and dividends received: operating cash flows or investing cash flows. <p><i>GAAP:</i> They may be classified as follows in the cash flow statement:</p> <ul style="list-style-type: none"> • interest paid and received: operating cash flows; • dividends paid: financing cash flows; • dividends received and included in net income: operating cash flows. 	We will keep the existing classification of interest in the statement of cash flows.
	<p><i>IFRS:</i> Interim reports must present a statement of cash flow cumulatively for the current financial year-to-date and for the comparable period of the preceding fiscal year.</p> <p><i>GAAP:</i> Besides a cumulative cash flow statement for the current fiscal year-to-date and for the comparable period, interim reports must present a cash flow statement for the interim period and one for the comparable period.</p>	
Notes to financial statements	<p><i>IFRS:</i> Reconciliations of the carrying amount at the beginning and end of the period for several components of the statement of financial position are presented in the notes to financial statements.</p> <p><i>GAAP:</i> Reconciliations are limited to certain balance sheet components.</p>	
	<p><i>IFRS:</i> The total amount of key management personnel compensation must be disclosed, by large categories, in the notes to financial statements.</p> <p><i>GAAP:</i> This information is not required in financial statements.</p> <p>However, Regulation 51-102 of the Canadian Securities Administrators demands disclosure of similar information in the proxy circular.</p>	

We have also made choices concerning certain exemptions from retrospective application at the time of changeover provided by IFRS 1; these are set out in the following table.

Optional Exemptions	Preliminary Findings
Fair value or revaluation as deemed cost	<p>This exemption allows us to measure an item of property, plant or equipment at the date of transition to IFRS at its fair value, and use that fair value as its deemed cost at that date. It also allows us to use a previous GAAP revaluation of an item of property, plant or equipment at or before the date of transition to IFRS as deemed cost at the date of the revaluation.</p> <p>* We have decided not to avail ourselves of this exemption.</p>
Share-based payment	<p>This exemption would excuse us from applying the standard to equity instruments acquired before the IFRS transition date.</p> <p>* We have decided to avail ourselves of this exemption when possible; there will be no incidence on the stock options which were acquired before the IFRS transition date.</p>
Compound financial instruments	<p>On the IFRS transition date, a first-time adopter need not separate the liability component and the equity component, if the liability component is no longer outstanding at the date of transition to IFRS.</p> <p>* We have decided to avail ourselves of this exemption when possible.</p>
Decommissioning liabilities included in the cost of property, plant and equipment	<p>This exemption allows us to measure the liability as at the date of transition to IFRS, in accordance with IAS 37.</p> <p>* We have decided to avail ourselves of this exemption. The impact on the opening balance sheet is non significant.</p>

The remaining elective exemptions have limited or no applicability to the Company.

The Company's IFRS conversion project is progressing according to schedule. As the project advances, the Company could alter its intentions and the milestones communicated at the time of reporting as a result of changes to international standards currently in development, or in light of new information or other external factors that could arise between now and when the changeover is completed.

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 October 30, 2010.

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 control over financial reporting during the period beginning on August 1st, 2010 and ending October 30, 2010, inclusive, which have materially affected, or are reasonably likely to materially affect, Groupe Bikini Village's internal control over financial reporting.

RISKS AND UNCERTAINTIES

There has been no significant change in the Company's risk factors in the nine-month period ended October 30, 2010 from those described in our fiscal 2009 MD&A.

The risks and uncertainties described below are not the only risks the Company may encounter; additional risks and uncertainties not currently known to the Company may also negatively impact financial performance.

Many of the Company's products are seasonal by 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. 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.

Although economic conditions in Canada have improved, the Company remains cautious, aware that economic factors impacting consumer spending patterns could deteriorate. Groupe Bikini Village 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. Management regularly monitors economic conditions and estimates their impact on the Company's operations, incorporating those estimates in short-term operating and longer-term strategic decisions.

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

The Company depends on the efficient operation of its distribution centre, such that any significant disruption in its operation (e.g. due to natural disaster, system failures, destruction or major damage by fire), could materially delay or impair its ability to replenish its stores on a timely basis; this could cause a loss of future sales, which could have a significant effect on the Company's results of 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, and our pilot store, Lanai (young girls' favourite clothing brands) face various types of competition, from independent stores, chains, and traditional department stores. 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.

With that said, Groupe Bikini Village enjoys numerous competitive advantages, including 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 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 Bikini Village

and Ocean Bikini Village stores is our year-round offering of this specialty merchandise, since many other retailers only carry competing products during the summer.

For further information, please refer to the “Risk Factors” Section of the Company’s 2010 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 \$19.4 million as at October 30, 2010, compared to \$20 million as at January 30, 2010, mainly due to a reduced inventory level.

As at October 30, 2010, accounts receivable stood at \$241,000, compared to \$167,000 as at January 30, 2010. The increase is the result of sales taxes receivable at that date, as opposed to the end of the fiscal year, when these amounts were to be paid.

As at October 30, 2010, our inventories stood at \$5.7 million compared to \$6.2 million as at January 30, 2010. At the end of the third quarter last year, we held inventories worth \$7.4 million. Our dynamic inventory management has permitted this reduction, while ensuring a level of inventory sufficient to support our prospective sales targets.

Prepaid expenses totalled \$789,000 as at October 30, 2010, compared to \$580,000 as at January 30, 2010. This largely due to disbursements for advertising campaigns beginning in November 2010 and January 2011 whereas in 2009, these disbursements were made later in the year.

Short-term and long-term future income taxes were \$468,000 and \$384,000, respectively, for a total of \$852,000 as at October 30, 2010, as compared to \$266,000 and \$443,000, respectively, for a total of \$709,000 as at January 30, 2010. The increase in our net future income tax assets results largely from higher unused non-capital tax losses as compared to the end of January, 2010.

The book value of Groupe Bikini Village’s capital assets totalled \$8.1 million as at October 30, 2010, up from \$7.9 million as at January 30, 2010. Capital asset investments during the first nine months of 2010 slightly exceed the amortization in that period.

As at October 30, 2010, total debt amounted to \$7.8 million, compared to \$9.9 million as at January 30, 2010. The decrease in debt is attributable to the reimbursement of long-term debt and the repayment of convertible debentures, as well as the decrease in accounts payable and sales taxes payable. In January, two months of sales taxes in periods of stronger sales were to be paid; while at the end of October, only one month’s taxes only had to be paid while taxes for a second month were receivable. Accounts payable were higher in January, reflecting the volume of merchandise received for the strong fourth quarter as compared to merchandise required for the third quarter, which is historically the slowest of the year.

Shareholders’ equity increased to \$11.6 million during the nine-month period ended October 30, 2010. The rights offering and the concurrent private placement in August 2010 have increased the shareholder equity by \$2 million, net of fees. Share-based compensation increased the contributed surplus of \$64,000, while the net loss for the period impacted shareholders’ equity by \$521,000.

Groupe Bikini Village’s working capital totalled \$5.6 million as at October 30, 2010, compared to \$4.7 million as at January 30, 2010; as a result, our working capital ratio was 2.2 at the end of the third quarter, as compared to 1.7 at the end of 2009.

OUTSTANDING SHARE DATA AND STOCK OPTIONS*Outstanding shares*

On August 17, 2010, the Company completed its rights offering and concurrent private placement; accordingly, the Company issued a total of 71,218,178 common shares at a price of \$0.03 each.

At the Annual and Special Meeting of shareholders, a resolution was approved to authorize directors of the Company to proceed with the Consolidation of its common shares (the "Consolidation"). On September 9, 2010, the consolidation ratio was determined to be one new share for every 125 shares outstanding. On September 27th, 2010, the Consolidation was announced and took effect on September 30th, 2010. Therefore, 236,985,696 shares were cancelled under the Consolidation. No fractions of shares were issued as a result of the Consolidation, with all fractions rounded down.

Following the September 30th, 2010 Consolidation and at the date of this report, the Company has 1,910,597 common shares outstanding (1,341,424 as at January 30, 2010).

Stock options

On September 9, 2010, the Company granted 3,600,000 common stock option shares to certain Officers of the Company at an exercise price of \$0.03; 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 2020. During the nine-month period ended October 30, 2010, the compensation expense recorded on the Statement of Operations with regard to this allocation is \$15,000. The compensation expense recorded on the Statement of Operations with regard to the previous year's allocation is \$49,000 (\$78,000 in 2009).

Following the September 30th, 2010 Consolidation and at the date of this report, 54,200 stock options were outstanding (January 30, 2010 – 37,600), at prices varying between \$3.75 and \$16.25, for a weighted average exercise price of \$7.81 (\$11.25 as at January 30, 2010), exercisable on dates ranging to 2020. During the nine-month period ended October 30, 2010, 12,200 stock options expired or were cancelled (4 in 2009).

ADDITIONAL INFORMATION

This MD&A is dated December 9, 2010, 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.

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)

	Third quarter		Second quarter		First quarter		Fourth quarter	
Fiscal year	2010	2009	2010	2009	2010	2009	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
				Restated ¹		Restated ¹		Restated ¹
Operating revenue	6,527	6,658	14,230	11,408	10,028	9,914	13,042	12,988
Net earnings (loss)	(1,478)	(1,794)	1,195	(221)	(238)	(258)	796	615
Per share * amounts								
Basic and diluted earnings (loss)	(0.81)	(1.34)	0.89	(0.16)	(0.18)	(0.19)	0.59	0.45
Weighted average number of outstanding shares * (in thousands)								
Basic and diluted	1,819	1,341	1,341	1,341	1,341	1,341	1,341	1,361

The fluctuations between quarters are principally seasonal. However, a key difference for the second quarter of 2010 is related to the fact that the Company was once again able to operate in normal market conditions, a significant improvement over the sales environment in the first half of 2009, which was marked by economic recession, unseasonable weather conditions, and the impacts of the H1N1 influenza virus.

OUTLOOK ²⁾

The reduction in the Company's loss in the third quarter is solid evidence that the restructuring efforts we have undertaken over the last three years have been appropriate – and are working. The disciplined approach Groupe Bikini Village initiated three years ago has made the Company more competitive, and we are confident and enthusiastic as we look ahead. This approach will remain central to our activities in the months to come, as we continue to focus on sales and profitability.

Groupe Bikini Village enters the last quarter of 2010 with a good inventory situation and a strong cash position, due to the improved balance sheet that resulted from both our improved year-to-date performance, and our successful rights offering and private placement.

In the final quarter of 2010 and beyond, we look forward to leveraging these strengths – and the flexibility they allow us to show – to further our efforts in building shareholder value. Whether we do it by creating our own opportunities or by considering other strategic alternatives that may arise, building on our momentum – and on the value we deliver for our investors – will be our central focus.



Yves Simard
President and Chief Executive Officer

* After taking into account the 1 for 125 stock consolidation which took effect on September 30, 2010.

¹ Restated to reflect the changes resulting from the retrospective application of the change in accounting policy related to the adoption of the new accounting standard for Goodwill and Intangible Assets implemented in the year ended January 30, 2010.

² To be read in conjunction with "Forward-Looking Statements" on page 5 of the MD&A for the nine-month period ended October 30, 2010.

Statements of Operations and Comprehensive Loss

(in thousands of dollars, except per share amounts)

(unaudited)

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
	\$	\$	\$	\$
Operating revenue	6,527	6,658	30,785	27,980
Cost of goods sold, operating and administrative expenses (Note 4)	8,025	8,543	29,781	29,285
Interest (Note 5)	155	192	505	581
Amortization	365	392	1,128	1,177
	8,545	9,127	31,414	31,043
Loss before income taxes	(2,018)	(2,469)	(629)	(3,063)
Income taxes recovery (Note 6)	(540)	(675)	(108)	(790)
Net loss and comprehensive loss	(1,478)	(1,794)	(521)	(2,273)
Loss per share *				
Basic and diluted (Note 7)	(0.81)	(1.34)	(0.37)	(1.69)
Weighted average number of outstanding shares *				
Basic and diluted	1,819,280	1,341,425	1,396,211	1,341,425

* After taking into account the 1 for 125 stock consolidation which took effect on September 30, 2010.

Statements of Deficit

(in thousands of dollars)

(unaudited)

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
	\$	\$	\$	\$
Deficit, beginning of period as previously reported	(20,165)	(20,072)	(21,122)	(19,617)
Adjustment to opening deficit resulting from adoption of new accounting standard Section 3064 - Intangible assets, net of income taxes	-	(52)	-	(28)
Deficit, beginning of period as restated	(20,165)	(20,124)	(21,122)	(19,645)
Net Loss	(1,478)	(1,794)	(521)	(2,273)
Deficit, end of period	(21,643)	(21,918)	(21,643)	(21,918)

See accompanying notes

Balance Sheets

(in thousands of dollars)

As at	October 30, 2010	October 31, 2009	January 30, 2010
	\$ (Unaudited)	\$ (Unaudited)	\$ (Audited)
Assets			
Current assets			
Cash	3,315	536	3,929
Accounts receivable	241	149	167
Income taxes	4	17	4
Inventories	5,657	7,404	6,223
Prepaid charges	789	523	580
Future income taxes	468	954	266
	10,474	9,583	11,169
Capital assets (Note 8)	8,140	7,935	7,903
Intangible assets (Note 9)	403	525	497
Future income taxes	384	157	443
	19,401	18,200	20,012
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	3,656	4,071	5,268
Current portion of long-term debt and convertible debentures (Note 10 and 11)	1,203	1,154	1,159
	4,859	5,225	6,427
Deferred lease credits	619	630	629
Long-term debt (Note 10)	398	584	528
Liability component of convertible debentures (Note 11)	1,883	2,515	2,360
	7,759	8,954	9,944
Shareholders' equity			
Share capital (Note 12)	29,728	27,702	27,702
Equity component of convertible debentures (Note 11)	834	1,061	1,004
Contributed surplus	2,723	2,401	2,484
Deficit	(21,643)	(21,918)	(21,122)
	11,642	9,246	10,068
	19,401	18,200	20,012

See accompanying notes

Commitments (Note 15)

Approved by the Board



Joe Marsilii
Director



Nathalie Carrier
Director

Statements of Cash Flows

(in thousands of dollars)
(unaudited)

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
	\$	\$	\$	\$
Operating activities				
Net loss	(1,478)	(1,794)	(521)	(2,273)
Adjustments (Note 14)	(70)	(190)	1,272	682
	(1,548)	(1,984)	751	(1,591)
Net changes in non-cash working capital items (Note 14)	(1,684)	270	(1,352)	(554)
Operating activities	(3,232)	(1,714)	(601)	(2,145)
Financing activities				
Increase of long-term debt	-	-	75	-
Repurchase of share capital	(4)	-	(4)	-
Issuance of shares, rights offering and private placement	2,137	-	2,137	-
Repayment of convertible debentures	(225)	(225)	(675)	(300)
Fees related to rights offering, private placement and share consolidation	(137)	-	(137)	-
Deferred lease credit	-	-	-	227
Reimbursement of long-term debt	(73)	(59)	(204)	(173)
Financing activities from				
Financing activities	1,698	(284)	1,192	(246)
Investing activities				
Acquisition of capital assets	(396)	(153)	(1,200)	(1,296)
Acquisition of intangible assets	-	(11)	(5)	(123)
Investing activities	(396)	(164)	(1,205)	(1,419)
Net changes in cash	(1,930)	(2,162)	(614)	(3,810)
Cash at beginning	5,245	2,698	3,929	4,346
Cash at end	3,315	536	3,315	536

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 30, 2010, as well as the notes therein contained.

The Company’s 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 October 30, 2010 is not necessarily indicative of the results of the operations for a full year. Certain comparative figures have been reclassified to conform to the current period presentation.

2. Accounting policies

During the nine-month period ended October 30, 2010, the Company followed the same accounting policies and procedures used for the exercise ended on January 30, 2010.

The Company has adopted during the exercise of 2009 the Section 3064 “Goodwill and Intangible Assets”, which replaced Section 3062, “Goodwill and Other Intangible Assets,” and Section 3450 “Research and Development Costs”. The primary impact of implementing this standard was on the accounting policy for marketing expenses. According to this new standard, marketing expenses are entirely expensed at the beginning of a campaign. Prior to the adoption of this standard, marketing expenses were deferred and amortized over the duration of the campaign.

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 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 of the Company for which the acquisition date is on or after January 30, 2011, with earlier application permitted. The Company expects that the adoption of this Section does not carry any impact on the Company’s annual financial statements.

Notes to the Financial Statements (continued)

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

3. Future changes in accounting policies (continued)

Adoption of international financial reporting standards in Canada

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (« 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 implement these standards in the first quarter of its fiscal year ending January 28, 2012. The Company expects the transition to IFRS to impact financial reporting, business processes, internal controls and information systems. The Company is currently finalizing the evaluation of the impact of the transition to IFRS on these areas and continue to invest in training and resources throughout the transition to facilitate a timely conversion. The external auditors are also consulted throughout the process.

4. Additional information on the cost of goods sold

For the third quarter ending October 30, 2010, the cost of inventories recognized as an expense and included in cost of goods sold, operating and administrative expenses totalled \$2.8 million (\$3.2 million in 2009) and \$13.2 million (\$12.9 million in 2009) for the nine-month period ended at the same date. The amount reflecting the cost of inventories, recognized as an expense for the nine-month period included \$534,000 (\$651,000 in 2009) relating to write-downs taken as a result of net realizable value being lower than cost. No inventories write-downs recognized in previous years were reversed (\$81,000 in 2009).

5. Interest

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
	\$	\$	\$	\$
Long-term debt	141	171	446	519
Others	21	23	66	68
	162	194	512	587
Interest income	(7)	(2)	(7)	(6)
	155	192	505	581

6. Income taxes

Income tax recovery is as follows:

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
	\$	\$	\$	\$
Future income taxes	(540)	(675)	(108)	(790)
	(540)	(675)	(108)	(790)

Notes to the Financial Statements (continued)

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

7. Loss per share *

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

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
	\$	\$	\$	\$
Basic and Diluted				
Net loss	(1,478)	(1,794)	(521)	(2,273)
Loss per share *				
Basic and diluted	(0.81)	(1.34)	(0.37)	(1.69)
Weighted average number of outstanding shares *				
Basic and diluted	1,819,280	1,341,425	1,396,211	1,341,425

Options giving the right to buy 54,200 shares* during the period ended October 30, 2010 (39,200 in 2009), and likely to dilute the basic earnings per share in the future, were not taken into account in the calculation of diluted loss per share because of their anti-dilutive effect.

Debentures for \$3,300,000 (\$4,200,000 in 2009) which can be converted into 132,000 common shares* (168,000 in 2009) likely to dilute the basic earnings per share in the future were not taken into account in the calculation of diluted loss per share because of their anti-dilutive effect.

* After taking into account the 1 for 125 stock consolidation which took effect on September 30, 2010.

8. Capital assets

As at	October 30, 2010		October 31, 2009		January 30, 2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$	\$	\$
Equipment	1,311	567	1,666	794	1,241	376
Leasehold improvements	11,701	4,305	10,870	3,807	10,505	3,467
	13,012	4,872	12,536	4,601	11,746	3,843
Accumulated amortization	4,872		4,601		3,843	
Net book value	8,140		7,935		7,903	

The net book value of the capital assets includes \$779,000 in capital leases (\$891,000 as at October 31, 2009 and \$863,000 as at January 30, 2010). Respectively \$319,000 in equipment (\$380,000 as at October 31, 2009 and \$359,000 as at January 30, 2010) and \$460,000 in leasehold improvements (\$511,000 as at October 31, 2009 and \$504,000 as at January 30, 2010).

Notes to the Financial Statements (continued)

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

9. Intangible assets

As at	October 30, 2010		October 31, 2009		January 30, 2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$	\$	\$
Software	647	244	738	213	642	145
Net book value	403		525		497	

10. Long-term debt

As at	October 30, 2010	October 31, 2009	January 30, 2010
	\$	\$	\$
Capital lease, payable by 48 payments, expiring in November 2012, the carrying interest rate is 5.63 %	544	785	727
Capital lease, payable by 48 payments, expiring in March 2014, the carrying interest rate is 6.56 %	90	53	60
Long term debt, payable by 36 payments, expiring in June 2013, the carrying interest rate is the lender preferred rate + 4.50 %	67	-	-
	701	838	787
Current portion	303	254	259
	398	584	528

On June 4, 2010, the Company secured a long term debt with RBC Royal Bank to finance leasehold improvements for the distribution centre.

On September 8, 2009, the Company secured a second capital lease with RBC Royal Bank to finance computer equipments and leasehold improvements for the distribution centre.

As at October 30, 2010, the Company has an on-demand credit facility for a maximum amount of \$3,000,000, renewable annually, of which none was used as at October 30, 2010. A first segment of \$1.5 million is available at all times and, if necessary, a seasonal increase of \$1.5 million is also available from September 15 to December 15, for a total of \$3 million. The maximum allowable amount is limited to a percentage of the value of inventories less specific reserves and priority claims. On October 30th, 2010, the available amount according to the margination formula was \$1.3 million. In the normal course of business in 2010, the Company issued letters of credit and letters of guarantee against this facility for a total of \$165,000, which are expiring in August 2011.

This facility is secured by a universal first mortgage on inventories, receivables and capital assets of the Company and bears interest at prime plus 3.95% (3.0% in 2009). Under the agreements relative to the credit facility, the Company is subject to a restrictive clause concerning compliance with a financial ratio. As at October 30, 2010, the Company was in accordance with the applicable restrictive clause under the credit facility.

Notes to the Financial Statements (continued)

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

10. Long-term debt (continued)

The future minimum lease payments for the next years are as follows:

2011 (3 months)	2012	2013	2014	2015
\$84	\$336	\$288	\$40	\$5

11. Liability component of the convertible debentures

As at	October 30, 2010	October 31, 2009	January 30, 2010
	\$	\$	\$
Unsecured convertible debentures with carrying annual interest rate of 8 %, payable monthly	3,300	4,200	3,975
Convertible right value presented in equity	(834)	(1,061)	(1,004)
	2,466	3,139	2,971
Financing fees	(98)	(127)	(119)
Interest capitalized	415	403	408
Liability component of the convertible debentures	2,783	3,415	3,260
Current portion	900	900	900
	1,883	2,515	2,360

On May 25, 2007, Groupe Bikini Village inc. signed a subscription agreement with the Fonds de solidarité FTQ (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, to additional debentures of up to \$2 million, subject to certain conditions, for a total investment of \$4.5 million.

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

Since June 1, 2009, the Fund has the option to convert its debentures into common shares of the Company, at the conversion rate of \$25.00 per share (After taking into the 1 for 125 stock consolidation which took effect on September 30, 2010.) In case of default or change of control of the Company, the Fund may potentially convert its debentures at a more advantageous rate.

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.

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.

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 at that date. As at October 21, 2008, the equity component of the second part, \$132,000 (recorded

Notes to the Financial Statements (continued)

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

11. Liability component of the convertible debentures (continued)

separately in shareholders' equity) represents the current value of the option for the convertible debenture holders at that date.

Considering the repayments of the debt that began in July, 2009, the convertible right value presented in equity is gradually transferred to the contributed surplus.

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%).

12. Share capital

	Number of Shares	Accounting Value
Balance as of October 31, 2009 and as of January 30, 2010	167,678,115	27,702
Issuance of shares, rights offering and private placement	71,218,178	2,137
Purchase and cancellation of pre-consolidation shares that does not form part of a post-consolidation shares	(71,655)	(9)
Cancelled shares at the term of consolidation	(236,914,041)	-
Fees related to rights offering and private placement net of related income taxes of \$29,000	-	(76)
Fees related to consolidation net of related income taxes of \$6,000	-	(26)
Balance as of October 30, 2010	1,910,597	29,728

Rights Offering

On July 9, 2010, the Company filed a final rights offering circular with the Toronto Stock Exchange (the "TSX") and the securities regulators in respect of a rights offering (the "Rights Offering").

Under the rights offering, each registered holder of common shares (the "Shares") as of the record date, July 19, 2010, received one right (a "Right") for each Share held. It took four Rights plus the sum of \$0.03 to subscribe for one pre-consolidation Share.

On August 17, 2010, the Company announced the completion of its rights offering and its concurrent private placement. Since all rights were exercised under the Offering, the Company issued 41,919,528 shares. In addition, the Company extended to the guarantor the opportunity to subscribe for Shares at a price of \$0.03 each under the Private Placement; 29,298,650 Shares were subscribed to under the Private Placement. Therefore, under the Offering and the Private Placement, the Company issued a total of 71,218,178 common shares at a price of \$0.03 each, for total gross proceeds of \$2.1 million.

Consolidation

At the Annual and Special Meeting of shareholders, a resolution was approved to authorize directors of the Company to proceed with the Consolidation of its common shares (the "Consolidation"). On September 9, 2010, the consolidation ratio was determined to be one new share for every 125 shares outstanding. On September 27th, 2010, the Consolidation was announced and took effect on September 30th, 2010. No fractions of shares were issued as a result of the Consolidation, with all fractions were rounded down. For each pre-Consolidation Share

Notes to the Financial Statements (continued)

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

12. Share capital (continued)

that did not form part of a post-Consolidation Share, shareholders received a cash payment of the greater of (i) \$0.05 and (ii) the market price (as defined in the TSX's rules) on the date that the Consolidation took effect. Consequently, shareholders received \$0.05 per share. A total of 236,985,696 shares were cancelled under the Consolidation. The amount posted to share capital after the Consolidation includes cash consideration of \$4,000, while a \$5,000 discount on repurchase was recorded in contributed surplus.

13. 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 hereunder, 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.

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 October 30, 2010 purchase options;

Range of exercise prices	Options outstanding			Exercisable options	
	Number of outstanding options	Weighted average remaining contractual life	Weighted average exercise price	Number of exercisable options	Weighted average exercise price
\$			\$		\$
3.75	28,800	9.9	3.75	-	-
10.00	14,400	7.5	10.00	14,400	10.00
13.75 to 16.25	11,000	5.9	15.57	11,000	15.57
	54,200	8.5	7.81	25,400	12.41

On September 9, 2010, the Company granted 28,800 common stock option shares to certain Officers of the Company at an exercise price of 3.75; 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 2020. The fair value of these options was estimated at \$110,000 on the grant date using the *Black-Scholes* option pricing model according to the following assumptions: interest rate without risk of 2.35%, nil dividends, estimated useful life of seven years, predicted volatility of 85%. During the nine-month period ended October 30, 2010, the compensation expense recorded on the Statement of Operations with regard to this allocation is \$15,000. The compensation expense recorded on the Statement of Operations with regard to the previous year's allocation is \$49,000 (\$78,000 in 2009).

During the period of nine months ended October 30, 2010, 12,200 stock options expired or have been cancelled (4 in 2009).

* After taking into account the 1 for 125 stock consolidation which took effect on September 30, 2010.

Notes to the Financial Statements (continued)

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

14. Supplementary cash flow information

	Three months ended		Nine months ended	
	October 30, 2010	October 31, 2009	October 30, 2010	October 31, 2009
	\$	\$	\$	\$
i) Adjustments for:				
Amortization - Capital assets	332	360	1,029	1,092
Amortization - Intangible assets	33	32	99	85
Interest capitalized on the liability component of debentures and financing fees amortization	63	72	198	218
Stock-based compensation plan	31	26	64	78
Future income taxes	(540)	(675)	(108)	(790)
Amortization of deferred lease credit	(21)	(25)	(63)	(69)
Deferred lease credit	32	20	53	68
	(70)	(190)	1,272	682
ii) Net changes in non-cash working capital items				
Accounts receivable	(173)	110	(74)	-
Income taxes	-	253	-	253
Inventories	(14)	382	566	518
Prepaid charges	(228)	8	(209)	(82)
Accounts payable and accrued liabilities	(1,269)	(483)	(1,635)	(1,243)
	(1,684)	270	(1,352)	(554)
iii) Supplementary information				
Cash amount paid (recovered):				
Interest	81	100	253	334
Income taxes	-	(252)	-	(252)
Non-cash operations:				
Capital assets additions included in accounts payable and accrued liabilities	207	119	207	119
Capital assets acquired through capital leases	-	53	43	53

Notes to the Financial Statements (continued)

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

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 that can be exercised at the Company's or lessor's option. The minimum lease payments required over the next few years are as follows:

2011 (3 months)	2012	2013	2014	2015	Subsequently
\$1,319	\$5,117	\$4,531	\$3,119	\$2,231	\$3,023

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, non-guaranteed convertible debentures 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. funds these requirements out of its internally-generated cash flows and its financing facilities already in place. However, during the third quarter of 2010, in a way to pro-actively manage its cash requirements, the Company realized a rights offering and a concurrent private placement.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather, promotes year-over-year sustainable profitable growth.

The Company is subject to financial covenant under on demand credit facilities. As at October 30, 2010, the Company was in accordance with the applicable restrictive clause under the credit facility.

The following table presents summary quantitative data with respect to the Company's capital:

As at	October 30, 2010	October 31, 2009	January 30, 2010
Long term debt including current portion	\$ 701	\$ 838	\$ 787
Liability component of convertible debentures including current portion	2,783	3,415	3,260
Shareholders' equity	11,642	9,246	10,068
	15,126	13,499	14,115

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. Its liquidities follow a seasonal curve according to the calendar of sales, purchases of inventories and capital assets expenditure. The Company prepares budget and cash forecasts to ensure that it has sufficient funds to fulfil its obligations. The Company has long term debt

Notes to the Financial Statements (continued)

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

17. Financial risks and financial instruments (continued)

outstanding, requiring principal payments of \$1.2 million during the next twelve months. The information about the payments in capital during the subsequent years is presented in Notes 11 and 12 Long-term debt and Liability component of the convertible debentures of the 2009 Annual Report. 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 October 30, 2010, the Company had forward contracts denominated in U.S. dollars amounting to \$1.4 million (\$831,000 as at October 31, 2009), with maturity dates until June 2011 (until August 2010 as at October 31, 2009), and rates between 1.031 and 1.0532 (1.055 and 1.215 in 2009). As of October 30, 2010, the fair value of unrealized gains or losses on the forward contracts has been recorded to the operations and represents a loss of \$37,000 (67,000 in 2009). The fair value of these foreign exchange contracts is \$1.5 million (\$895,000 in 2009). These amounts were recorded under "Accounts payables and accrued liabilities". The fair value is classified according to the level 2 of the fair value hierarchy. The U.S. accounts payable included in the balance sheet as at October 30, 2010 was \$2,000 (nil as at October 31, 2009).

The Company has performed sensitivity analysis on its U.S. dollar denominated financial instruments, at October 30, 2010, to determine how a change in the U.S. dollar exchange rate would impact on shareholders' equity and net earnings. On October 30, 2010, 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 \$148,000 increase or decrease, respectively, in the Company's shareholders' equity and net earnings for the nine months period ended October 30, 2010.

Interest Rate Risk

The Company's exposure to interest rate fluctuations is on interest earned on its cash and interest paid on the credit line. Facilities for short-term credit described in Note 10 bear interest at variable rates, while long-term debt has a fixed rate.

The Company has performed sensitivity analysis on interest rate risk at October 30, 2010, to determine how a change in interest rates would impact shareholders' equity and net earnings. During the nine-month period of 2010, the Company has earned interest income of \$7,000 and did not incur interest costs on its credit line. An increase or decrease of 100 basis points in the average interest rate earned during the period would have increase of \$19,000 or decrease of \$7,000 equity and net results. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Fair Value

a) Classification

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"

b) Fair value hierarchy

Financial instruments recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Notes to the Financial Statements (continued)

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

17. Financial risks and financial instruments (continued)

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the nine-month period of 2010, there has been no significant transfer of amounts between different Levels.

Cash, 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 liability component of convertible debentures 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. Segment information

The Company considers its retail sales activities as a single operating segment.

19. Comparative figures

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

GROUPE
Bikini Village
 inc.