

The Skor Food Group Inc.

Interim Consolidated Financial Statements

February 28, 2006

(unaudited)

Notice to Reader

The accompanying unaudited interim consolidated financial statements have been prepared by the Company's management and the Company's independent auditor has not performed a review of these financial statements.

The Skor Food Group Inc.

Interim Consolidated Balance Sheets

	Note	February 28 2006	August 31 2005 (audited)
Assets			
Current			
Cash		\$ -	\$ 1,216,988
Short-term investment		-	600,000
Accounts receivable		5,970,393	5,537,191
Income tax receivable		219,130	-
Inventory		3,322,758	3,072,081
Rebates receivable		1,291,234	675,677
Prepaid expenses and other assets		306,812	418,433
		11,110,327	11,520,370
Property, plant and equipment		1,678,473	1,057,557
Future income taxes		5,612	18,786
Goodwill		1,081,802	1,081,802
Distribution rights		16,667	6,667
Investments		12,600	12,600
		\$ 13,905,481	\$ 13,697,782
Liabilities			
Current			
Bank indebtedness		410,087	-
Accounts payable and accrued liabilities		3,986,253	4,424,562
Income taxes payable		-	185,953
Current portion of long-term debt	2	573,227	594,518
		4,969,567	5,205,033
Long-term debt	2	1,565,302	1,848,796
Redeemable preferred shares	3	200,000	200,000
		6,734,869	7,253,829
Shareholders' Equity			
Capital stock	4	1,953,932	1,953,932
Contributed surplus	5	73,173	49,668
Retained earnings		5,143,507	4,440,353
		7,170,612	6,443,953
		\$ 13,905,481	\$ 13,697,782

Approved by the Board "Vince Capobianco" Director "G. Michael Newman" Director

See accompanying notes.

The Skor Food Group Inc.

Interim Consolidated Statements of Earnings and Retained Earnings (unaudited)

	Six Months Ended February 28		Three Months Ended February 28	
	2006	2005	2006	2005
Revenue	\$ 38,868,959	\$ 38,477,979	\$ 18,354,074	\$ 17,832,822
Cost of sales	31,915,964	32,038,337	14,843,111	14,584,481
Gross profit	6,952,995	6,439,642	3,510,963	3,248,341
Expenses				
Operating	5,309,084	5,069,377	2,818,683	2,612,312
Amortization	153,327	179,330	77,018	71,422
Interest	54,760	62,170	32,690	35,120
	5,517,171	5,310,877	2,928,391	2,718,854
Earnings before relocation costs and income taxes	1,435,824	1,128,765	582,572	529,487
Relocation Costs	321,914	-	199,849	-
Earnings before income taxes	1,113,910	1,128,765	382,723	529,487
Income taxes				
Current	397,583	397,334	133,478	184,141
Future	13,173	28,755	20,030	19,713
	410,756	702,676	153,508	325,633
Net earnings	703,154	702,676	229,215	325,633
Retained earnings at beginning of period	4,440,353	2,731,064	4,914,292	3,108,107
Retained earnings at end of period	\$ 5,143,507	\$ 3,433,740	\$ 5,143,507	\$ 3,433,740
Earnings per share				
Basic	\$0.04	\$0.05	\$0.01	\$0.02
Diluted	\$0.04	\$0.05	\$0.01	\$0.02
Weighted average common shares outstanding				
Basic	17,938,670	14,241,245	17,938,670	15,048,187
Diluted	18,354,227	14,729,010	18,392,046	15,590,761

See accompanying notes.

The Skor Food Group Inc.

Interim Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended February 28		Three Months Ended February 28	
	2006	2005	2006	2005
Cash flows from operating activities				
Net earnings for period	\$ 703,154	\$ 702,676	\$ 229,215	\$ 325,633
Add (deduct) items not affecting cash				
Amortization	153,327	179,330	77,018	71,422
Loss on disposal of equipment	36,460	-	43,477	-
Future income taxes	13,174	28,755	20,031	19,713
Stock based compensation	23,505	6,870	-	3,435
	929,620	917,631	369,741	420,203
Changes in non-cash working capital items				
Accounts receivable	(433,202)	441,383	156,062	198,031
Rebates receivable	(615,557)	(376,867)	(457,822)	(253,558)
Inventory	(250,677)	97,696	(254,457)	344,474
Prepaid expenses and other assets	111,621	276,325	(55,435)	183,489
Income taxes	(405,083)	(303,978)	(517,319)	(133,265)
Accounts payable and accrued liabilities	(438,309)	(1,573,108)	(1,092,712)	(459,976)
	(1,101,587)	(520,918)	(1,851,942)	299,398
Cash flows from investing activity				
Property plant and equipment	(1,022,703)	(29,915)	(226,868)	(13,184)
Proceeds from disposal of property, plant and equipment	222,000	-	212,500	-
Proceeds from sale (purchase) of marketable securities	600,000	-	600,000	-
Investments	-	(10,000)	-	(10,000)
Distribution rights	(20,000)	-	(20,000)	-
	(220,703)	(39,915)	565,632	(23,184)
Cash flows from financing activity				
Repayment of long-term debt	(304,785)	(309,540)	(150,908)	(155,170)
Issuance of capital stock	-	1,282,150	-	1,282,150
	(304,785)	972,610	(150,908)	1,126,980
Increase (decrease) in cash during the period	(1,627,075)	411,777	(1,437,218)	1,403,194
Cash (Bank indebtedness) at beginning of period	1,216,988	(5,766)	1,027,131	(997,183)
Cash (Bank indebtedness), at end of period	\$ (410,087)	\$ 406,011	\$ (410,087)	\$ 406,011

See accompanying notes.

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Notes to Interim Consolidated Financial Statements
February 28, 2006
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1. BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements. The unaudited consolidated interim financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the period ended August 31, 2005. The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended August 31, 2005.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. In the opinion of management, the accompanying unaudited interim financial statements include all adjustments of a normal recurring nature to present fairly the position of the Company as at February 28, 2006. These financial statements reflect the results of operation for the six month period ended February 28, 2006.

2. LONG-TERM DEBT

	February 28, 2006	August 31 2005
	(unaudited)	(audited)
Canadian chartered bank, bearing interest at the bank's prime rate plus .75% per annum, repayable at \$44,833 per month plus interest, due March 5, 2007, secured by a general security agreement over all assets	\$ 2,103,314	\$ 2,372,319
Leases payable, requiring blended monthly payments in aggregate of \$5,813, one lease without interest and others bearing interest at 10.14%, due from January 1, 2006 to January 7, 2007	35,215	70,995
	2,138,529	2,443,314
Less: Current portion	573,227	594,518
	\$ 1,565,302	\$ 1,848,796

Future principal payments are as follows:

2006	\$ 573,227
2007	1,565,302
	\$ 2,138,529

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3. REDEEMABLE PREFERRED SHARES

	February 28 2006	August 31 2005 (audited)
Authorized 200 non-voting preference shares		
Issued 200 non-voting preferred shares, eligible to participate in dividends at the discretion of the directors on a non-cumulative basis, redeemable at the option of the corporation or shareholder at \$1,000 per share. The holders have agreed not to demand redemption until after February 28, 2007.	\$ 200,000	\$ 200,000

4. CAPITAL STOCK

Authorized
unlimited common shares

Issued	Number	Value
Balance at August 31, 2005 and February 28, 2006	17,938,670	\$ 1,953,932

5. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	February 28 2006	August 31 2005
Beginning balance	\$ 49,668	\$ 70,070
Stock options granted	23,505	6,870
Stock options exercised	-	(27,272)
Ending balance	\$ 73,173	\$ 49,668

6. STOCK OPTIONS

The Company maintains a stock option plan for the benefit of directors, officers, employees and other persons providing services to the Company. The maximum number of options reserved under the plan cannot exceed 20% of the total number of issued and outstanding common shares.

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The following summarizes the stock option activities for the six month period ended February 28, 2006:

	2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	645,000	\$ 0.40	1,000,000	\$ 0.40
Granted	145,000	\$ 0.95	-	-
Exercised	-	-	-	-
Outstanding, end of period	790,000	\$ 0.50	1,000,000	\$ 0.40
Exercisable	790,000			

The Company had the following stock options outstanding at February 28, 2006:

Number of Options	Exercisable	Exercise Price	Expiry Date
125,000	125,000	\$ 0.405	March 31, 2006
520,000	520,000	\$ 0.40	January 8, 2009
145,000	145,000	\$ 0.95	October 27, 2008
790,000	790,000		

7. STOCK BASED COMPENSATION

The total compensation expense for the six month period was \$23,505 and is included in operating expenses. The total amount charged to contributed surplus was \$23,505. The fair value of these options has been estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield of \$Nil; (ii) expected volatility of 30%; (iii) risk free rate of 3.59% and (iv) expected life of 18 months. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made as they occur. The weighted-average grant date fair values of options was \$.162

8. RELATED PARTY TRANSACTIONS

During the year, the Company had the following related party transactions that have not been disclosed elsewhere in these financial statements:

The Company purchased \$424,386 (2005 - \$299,407) worth of inventory at or below market rates and sold \$15,576 (2005 - \$16,904) of product at similar rates from/to a company in which certain officers and directors have a financial interest.

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9. SUBSEQUENT EVENT

On March 31, 2006 Skor acquired 11 Lumsden Cash and Carry locations in Ontario from Sobeys Capital. In conjunction with the Lumsden acquisition, Skor raised gross proceeds of \$9,000,000 from the issuance of 7,500,000 common shares. A total of 450,000 broker warrants were issued as part of the equity financing. Full details of the transactions are filed at www.sedar.com