

The Skor Food Group Inc.

Interim Consolidated Financial Statements

February 28, 2007

(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 2007	August 31 2006 (audited)
Assets			
Current			
Cash		\$ -	\$ 3,275,156
Accounts receivable		7,354,173	6,386,264
Income tax receivable		163,560	-
Inventory		12,193,944	14,724,633
Rebates receivable		2,255,678	1,566,945
Prepaid expenses and other assets		2,090,163	2,373,274
		24,057,518	28,326,272
Property, plant and equipment		3,932,462	3,867,272
Future income taxes		44,442	75,857
Goodwill		4,139,437	1,222,948
Distribution and franchise rights		324,309	328,596
Investments		12,600	12,600
		\$ 32,510,768	\$ 33,833,545
Liabilities			
Current			
Bank indebtedness		950,522	-
Accounts payable and accrued liabilities		9,928,975	14,969,962
Income taxes payable		-	38,170
Current portion of long-term debt	2	3,065,485	1,837,573
		13,944,982	16,845,705
Long-term debt	2	1,007,891	-
Redeemable preferred shares	3	200,000	200,000
		15,152,873	17,045,705
Shareholders' Equity			
Capital stock	4	10,574,729	10,515,516
Contributed surplus	5	104,286	103,024
Retained earnings		6,678,880	6,169,300
		17,357,895	16,787,840
		\$ 32,510,768	\$ 33,833,545

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	
	2007	2006	2007	2006
Revenue	\$ 85,512,517	\$ 38,868,959	\$ 40,536,162	\$ 18,354,074
Cost of sales	74,419,481	31,915,964	34,746,653	14,843,111
Gross profit	11,093,036	6,952,995	5,789,509	3,510,963
Expenses				
Operating	9,719,410	5,309,084	5,367,776	2,818,683
Amortization	504,603	153,327	265,264	77,018
Interest	94,460	54,760	69,947	32,690
	10,318,473	5,517,171	5,702,987	2,928,391
Earnings before relocation costs and income taxes	774,563	1,435,824	86,522	582,572
Relocation Costs	31,484	321,914	31,484	199,849
Earnings before income taxes	743,079	1,113,910	55,038	382,723
Income taxes				
Current	202,084	397,583	(105)	133,478
Future	31,415	13,173	25,024	20,030
	233,499	410,756	24,919	153,508
Net earnings	509,580	703,154	30,119	229,215
Retained earnings at beginning of period	6,169,300	4,440,353	6,648,761	4,914,292
Retained earnings at end of period	\$ 6,678,880	\$ 5,143,507	\$ 6,678,880	\$ 5,143,507
Earnings per share				
Basic	\$0.02	\$0.04	\$0.00	\$0.01
Diluted	\$0.02	\$0.04	\$0.00	\$0.01
Weighted average common shares outstanding				
Basic	25,725,880	17,938,670	25,748,670	17,938,670
Diluted	25,879,496	18,354,227	25,807,736	18,392,046

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	
	2007	2006	2007	2006
Cash flows from operating activities				
Net earnings for period	\$ 509,580	\$ 703,154	\$ 30,119	\$ 229,215
Add items not affecting cash				
Amortization	504,603	153,327	265,264	77,018
Loss on disposal of equipment		36,460	-	43,477
Future income taxes	31,415	13,174	25,024	20,031
Stock based compensation	9,850	23,505	9,850	-
	1,055,448	929,620	330,257	369,741
Changes in non-cash working capital items				
Accounts receivable	(967,909)	(433,202)	(1,549,485)	156,062
Rebates receivable	(688,733)	(615,557)	(242,638)	(457,822)
Inventory	2,530,689	(250,677)	30,985	(254,457)
Prepaid expenses and other assets	283,111	111,621	(206,296)	(55,435)
Income taxes	(201,730)	(405,083)	(254,111)	(517,319)
Accounts payable and accrued liabilities	(5,040,987)	(438,309)	2,254,488	(1,092,712)
	(3,030,111)	(1,101,587)	363,200	(1,851,942)
Cash flows from investing activity				
Property plant and equipment	(311,503)	(1,022,703)	(135,345)	(226,868)
Acquisitions	(3,150,492)	-	(3,112,252)	
Proceeds from disposal of property, plant and equipment	-	222,000	-	212,500
Proceeds from sale (purchase) of marketable securities	-	600,000	-	600,000
Distribution Rights	(20,000)	(20,000)	(20,000)	(20,000)
	(3,481,995)	(220,703)	(3,267,597)	565,632
Cash flows from financing activity				
Issuance/(Repayment) of long-term debt-net	2,235,803	(304,785)	2,372,265	(150,908)
Issuance of capital stock	50,625	-	-	-
	2,286,428	(304,785)	2,372,265	(150,908)
Decrease in cash during the period	(4,225,678)	(1,627,075)	(532,132)	(1,437,218)
Cash (Bank indebtedness) at beginning of period	3,275,156	1,216,988	(418,390)	1,027,131
Bank indebtedness, at end of period	\$ (950,522)	\$ (410,087)	\$ (950,522)	\$ (410,087)

See accompanying notes.

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Notes to Interim Consolidated Financial Statements
February 28, 2007
(unaudited)

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, 2006. The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended August 31, 2006.

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, 2007. These financial statements reflect the results of operation for the six month period ended February 28, 2007.

2. LONG-TERM DEBT

	February 28, 2007	August 31 2006
	(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 between May 5, 2007 and January 19, 2011, secured by a general security agreement over all assets	\$ 4,073,376	\$ 1,834,308
Lease payable, requiring monthly payments of \$653 and bearing interest at 0%, due January 7, 2007.	-	3,265
	4,073,376	1,837,573
Less: Current portion	3,065,485	1,837,573
	\$ 1,007,891	\$ -

Future principal payments are as follows:

2008	\$ 3,065,485
2009	500,000
2010	500,000
2011	7,891
	\$ 4,073,376

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3. REDEEMABLE PREFERRED SHARES

	February 28 2007	August 31 2006 (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, 2008.	\$ 200,000	\$ 200,000

4. CAPITAL STOCK

Authorized
unlimited common shares

Issued

	Number	Value
Balance at August 31, 2006	25,623,670	\$10,515,516
Issued on exercise of options	125,000	59,213
Balance at February 28, 2007	25,748,670	\$10,574,729

5. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	February 28 2007	August 31 2006
Beginning balance	\$ 103,024	\$ 49,688
Stock options granted	9,850	56,516
Stock options exercised	(8,588)	(3,160)
Ending balance	\$ 104,286	\$ 103,024

6. STOCK OPTIONS AND WARRANTS

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, 2007:

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning Balance	890,000	\$ 0.40	645,000	\$ 0.40
Granted	100,000	\$ 0.90	145,000	\$ 0.95
Exercised	(125,000)	\$ 0.405	-	
Outstanding, as at February 28	865,000	\$ 0.70	790,000	\$ 0.50
Exercisable	865,000			

The Company had the following stock options outstanding at February 28, 2007:

Number of Options	Exercisable	Exercise Price	Expiry Date
480,000	480,000	\$ 0.40	January 8, 2009
145,000	145,000	\$ 0.95	October 27, 2008
140,000	140,000	\$ 1.36	March 22, 2009
100,000	100,000	\$ 0.90	December 27, 2009
865,000	865,000		

As at February 28, 2007, the Company had 450,000 warrants issued and outstanding. These warrants expire September 7, 2007.

7. STOCK BASED COMPENSATION

The total compensation expense for the six month period was \$9,850 and is included in selling, general and administrative. The total amount charged to contributed surplus was \$9,850. 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 3.99% 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 \$.0985

8. RELATED PARTY TRANSACTIONS

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

The Company purchased \$290,098 (2006 - \$424,386) worth of inventory at or below market rates and sold \$455 (2006 - \$15,576) of product at similar rates from/to a company in which certain officers and directors have a financial interest.

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9. Acquisitions

On January 19, 2007, the Company acquired all of the issued and outstanding shares of Royal Town Foods Inc., Peel Halton Kitchens Inc. and Festive Food Catering Ltd., all private Canadian companies. The total purchase price of the three entities was \$3,150,000 plus adjustments for working capital. The acquisitions were funded with a combination of existing working capital and a new term financing facility of \$2,487,000.