

The Skor Food Group Inc.

Interim Consolidated Financial Statements

February 29, 2008

(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 29 2008	August 31 2007 (audited)
Assets			
Current			
Cash		\$ -	\$ 868,354
Accounts receivable		5,749,378	6,313,674
Inventory		10,542,127	9,884,424
Purchase rebates receivables from suppliers		2,642,074	1,668,685
Current portion of loans receivable		74,573	96,740
Prepaid expenses and other assets		1,150,343	1,784,420
Income taxes recoverable		739,779	666,780
		20,898,274	21,283,077
Property, plant and equipment		5,109,457	3,917,397
Future income taxes		387,450	420,079
Goodwill		3,005,780	2,967,462
Intangibles		1,289,649	1,466,315
Loans receivable		126,815	150,787
		\$ 30,817,425	\$ 30,205,117
Liabilities			
Current			
Bank Indebtedness		3,480,239	1,020,000
Accounts payable and accrued liabilities		6,894,927	8,668,608
Current portion of long-term debt	3	1,488,661	3,713,776
		11,863,827	13,402,384
Long-term debt	3	1,660,000	-
		13,523,827	13,402,384
Shareholders' Equity			
Capital stock	4	10,766,328	10,766,328
Contributed surplus	5	86,277	72,687
Retained earnings		6,440,993	5,963,718
		17,293,598	16,802,733
		\$ 30,817,425	\$ 30,205,117

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 29		Three Months Ended February 29	
	2008	2007	2008	2007
Revenue	\$ 80,807,154	\$ 85,417,569	\$ 38,111,017	\$ 40,495,000
Cost of sales	67,763,623	74,419,481	31,651,147	34,746,653
Gross profit	13,047,829	10,998,088	6,459,870	5,748,347
Expenses				
Operating	11,559,858	9,632,133	5,937,681	5,318,971
Amortization	639,959	486,845	342,813	256,385
Interest	167,988	94,460	103,900	69,947
	12,367,805	10,213,438	6,384,394	5,645,303
Earnings before undernoted and income taxes	675,726	784,650	75,476	103,044
Net income/(loss) of discontinued operations	2,952	(10,087)	1,131	(16,522)
Relocation Costs	9,997	31,484	9,997	31,484
Earnings before income taxes	668,681	743,079	66,610	55,038
Income taxes				
Current	158,777	202,084	4,061	(105)
Future	32,629	31,415	31,286	25,024
	191,406	233,499	35,347	24,919
Net earnings	477,275	509,580	31,263	30,119
Retained earnings at beginning of period	5,963,718	6,169,300	6,409,730	6,648,761
Retained earnings at end of period	\$ 6,440,993	\$ 6,678,880	\$ 6,440,993	\$ 6,678,880
Earnings per share				
Basic	\$0.02	\$0.02	\$0.00	\$0.00
Diluted	\$0.02	\$0.02	\$0.00	\$0.00
Weighted average common shares outstanding				
Basic	26,148,670	25,725,880	26,148,670	25,748,670
Diluted	26,177,606	25,879,496	26,148,670	25,807,736

See accompanying notes.

The Skor Food Group Inc.

Interim Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended February 29		Three Months Ended February 29	
	2008	2007	2008	2007
Cash flows from operating activities				
Net earnings for period	\$ 477,275	\$ 509,580	\$ 31,263	\$ 30,119
Add items not affecting cash				
Amortization	639,959	504,603	342,813	265,264
Future income taxes	32,629	31,415	31,286	25,024
Stock based compensation	13,590	9,850	13,590	9,850
	1,163,453	1,055,448	418,952	330,257
Changes in non-cash working capital items				
Accounts receivable	564,296	(967,909)	(315,212)	(1,549,485)
Purchase rebates receivable from suppliers	(973,389)	(688,733)	(324,610)	(242,638)
Inventory	(657,703)	2,530,689	374,345	30,985
Prepaid expenses and other assets	634,077	283,111	143,999	(206,296)
Income taxes recoverable	(72,999)	(201,730)	(75,077)	(254,111)
Accounts payable and accrued liabilities	(1,773,681)	(5,040,987)	895	2,254,488
	(1,115,946)	(3,030,111)	223,292	363,200
Cash flows from investing activity				
Property plant and equipment	(660,626)	(311,503)	(400,308)	(135,345)
Acquisitions	(1,013,045)	(3,150,492)	(1,013,045)	(3,112,252)
Loans receivable	46,139	-	18,520	-
Intangibles	(20,000)	(20,000)	(20,000)	(20,000)
	(1,647,532)	(3,481,995)	(1,414,833)	(3,267,597)
Cash flows from financing activity				
Bank indebtedness	2,460,239	-	1,509,489	-
Issuance/(Repayment) of long-term debt-net	(565,115)	2,235,803	(317,948)	(2,372,265)
Issuance of capital stock	-	50,625	-	-
	1,895,124	2,286,428	1,191,541	(2,372,265)
Decrease in cash during the period	(868,354)	(4,225,678)	(-)	(532,132)
Cash (Bank indebtedness) at beginning of period	868,354	3,275,156	(-)	(418,390)
Bank indebtedness, at end of period	\$ (-)	\$ (950,522)	\$ (-)	\$ (950,522)

See accompanying notes.

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Notes to Interim Consolidated Financial Statements
February 29, 2008
(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, 2007. The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended February 29, 2008.

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 29, 2008. These financial statements reflect the results of operation for the six month period ended February 29, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES-FINANCIAL INSTRUMENTS

Effective September 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments, and Section 3865, Hedges. These changes in accounting policy are not applied retroactively and accordingly, comparative amounts for prior periods, if any, have not been restated.

These recommendations establish standards for recognizing and measuring financial instruments, which include financial assets, financial liabilities, derivatives and embedded derivatives. Under these recommendations, all financial instruments are to be recorded initially at fair value. In subsequent periods, all financial instruments are re-measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

Financial assets

Held for trading

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity

Financial assets that have a fixed maturity date and which the Company has a positive intention and the ability to hold to maturity are classified as held-to-maturity, which are subsequently re-measured at amortized cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

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Available-for-sale

Available-for-sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available-for-sale are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

Financial liabilities

Held for trading

Financial liabilities that are held with the intention of generating profits in the near term and derivative contracts that are financial liabilities, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial liabilities can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities

Non-derivative financial liabilities that have not been designated as held for trading are classified as other liabilities, which are subsequently re-measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>	<u>Accounting Treatment</u>
Cash	Held for trading	Fair value
Accounts and rebates receivable	Loans and receivable	Amortized cost
Loans receivable	Loans and receivable	Amortized cost
Bank Indebtedness	Held for trading	Fair value
Accounts payable	Other liabilities	Amortized cost
Long Term Debt	Other liabilities	Amortized cost

The Company determined that the impact of the implementation of these new standards on its financial statements was not material.

3. LONG-TERM DEBT

	February 29 2008	August 31 2007 (audited)
Canadian chartered bank, bearing interest at the bank's prime rate plus .75% per annum, repayable at \$82,389 per month plus interest, due June 1, 2010, secured by a general security agreement over all assets	\$ 2,232,600	\$ 2,726,934
Canadian chartered bank, bearing interest at the bank's prime rate plus .75% per annum, repayable at \$41,666 per month plus interest, due January 19, 2011, secured by a general security agreement over all assets	916,061	986,842
	3,148,661	3,713,776
Less: Current portion	1,488,661	3,713,776
	\$ 1,660,000	\$ -

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4. CAPITAL STOCK

Authorized
unlimited common shares

Issued

	Number	Value
Balance at August 31, 2007(audited) and February 29, 2008	26,148,670	\$10,766,328

5. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	February 29 2008	August 31 2007 (audited)
Beginning balance	\$ 72,687	\$ 103,024
Stock options granted	13,590	9,850
Stock options exercised	-	(40,187)
Ending balance	\$ 86,277	\$ 72,687

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. Notwithstanding the foregoing, the maximum aggregate number of shares issued or subject to options granted under the Plan or reserved and set aside for issue under the Plan and under all other management option plans outstanding and employee stock purchase plans shall not exceed 2,600,000 shares.

The following summarizes the stock option activities for the six month period ended February 29, 2008:

	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	465,000	\$ 0.97	890,000	\$ 0.64
Granted	400,000	\$ 0.45	100,000	\$ 0.90
Exercised	-		125,000	\$ 0.405
Outstanding, end of period	865,000	\$ 0.73	865,000	\$ 0.70
Exercisable	790,000			

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The Company had the following stock options outstanding at February 29, 2008:

Number of Options	Exercisable	Exercise Price	Expiry Date
145,000	145,000	\$ 0.95	October 27, 2008
80,000	80,000	\$ 0.40	January 8, 2009
140,000	140,000	\$ 1.36	March 22, 2009
100,000	100,000	\$ 0.90	December 30, 2009
300,000	300,000	\$ 0.45	December 27, 2010
100,000	25,000	\$ 0.45	July 28, 2010
865,000	790,000		

7. 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 \$312,138 (2007 - \$290,098) worth of inventory at or below market rates and sold \$11,027 (2007 - \$455) of product at similar rates from/to a company in which certain officers and directors have a financial interest.

8. STOCK BASED COMPENSATION

The total compensation expense for the six month period was \$13,590 and is included in selling, general and administrative. The total amount charged to contributed surplus was \$13,590. 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 31% and 35%; (iii) risk free rate of 3.35%-3.85% and (iv) expected life of between 18 to 24 months. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made as they occur. The weighted-average grant fair values of options were \$0.183 and \$0.081.

9. SUBSEQUENT EVENTS

On April 16, 2008, Skor received approval of its intention to make a normal course issuer bid ("NCIB") for its common shares through the facilities of the TSX Venture Exchange. The Company may purchase up to 1,217,867 common shares over the course of the next twelve month period.