

The Skor Food Group Inc.

Interim Consolidated Financial Statements

May 31, 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	May 31 2008	August 31 2007 (audited)
Assets			
Current			
Cash		\$ -	\$ 868,354
Accounts receivable		6,427,775	6,313,674
Inventory		11,132,683	9,884,424
Purchase rebates receivables from suppliers		3,378,061	1,668,685
Current portion of loans receivable		92,639	96,740
Prepaid expenses and other assets		996,225	1,784,420
Income taxes recoverable		199,235	666,780
		22,226,618	21,283,077
Property, plant and equipment		5,028,019	3,917,397
Future income taxes		422,855	420,079
Goodwill		3,005,780	2,967,462
Intangibles		1,253,587	1,466,315
Loans receivable		128,579	150,787
		\$ 32,065,438	\$ 30,205,117
Liabilities			
Current			
Bank Indebtedness		1,918,140	1,020,000
Accounts payable and accrued liabilities		10,049,886	8,668,608
Current portion of long-term debt	3	1,488,661	3,713,776
		13,456,687	13,402,384
Long-term debt	3	1,275,281	-
		14,731,968	13,402,384
Shareholders' Equity			
Capital stock	4	10,766,328	10,766,328
Contributed surplus	5	86,277	72,687
Retained earnings		6,480,865	5,963,718
		17,333,470	16,802,733
		\$ 32,065,438	\$ 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)

	Nine Months Ended May 31		Three Months Ended May 31	
	2008	2007	2008	2007
Revenue	\$120,966,580	\$133,219,409	\$ 40,159,426	\$47,801,840
Cost of sales	101,425,270	116,175,811	33,661,647	41,756,330
Gross profit	19,541,310	17,043,598	6,497,779	6,045,510
Expenses				
Operating	17,587,825	15,033,155	6,027,967	5,401,022
Amortization	1,021,417	731,047	381,458	244,203
Interest	248,166	201,066	80,178	106,606
	18,857,408	15,965,268	6,489,603	5,751,831
Earnings before undernoted and income taxes	683,902	1,078,330	8,176	293,679
Net income/(loss) of discontinued operations	1,674	(30,935)	(1,278)	(20,847)
Relocation Costs	9,997	31,484	-	-
Earnings before income taxes	675,579	1,015,911	6,898	272,832
Income taxes				
Current	159,820	202,601	1,043	517
Future	(1,388)	45,884	(34,017)	14,469
	158,432	248,485	(32,974)	14,986
Net earnings	517,147	767,426	39,872	257,846
Retained earnings at beginning of period	5,963,718	6,169,300	6,440,993	6,678,880
Retained earnings at end of period	\$ 6,480,865	\$ 6,936,726	\$ 6,480,865	\$ 6,936,726
Earnings per share				
Basic	\$0.02	\$0.03	\$0.00	\$0.01
Diluted	\$0.02	\$0.03	\$0.00	\$0.01
Weighted average common shares outstanding				
Basic	26,148,670	25,733,560	26,148,670	25,748,670
Diluted	26,158,185	25,812,587	26,151,562	25,748,670

See accompanying notes.

The Skor Food Group Inc.

Interim Consolidated Statements of Cash Flows (unaudited)

	Nine Months Ended		Three Months Ended	
	2008	May 31 2007	2008	May 31 2007
Cash flows from operating activities				
Net earnings for period	\$ 517,147	\$ 767,426	\$ 39,872	\$ 257,846
Add items not affecting cash				
Amortization	1,021,417	757,685	381,458	253,082
Future income taxes	(1,388)	45,884	(34,017)	14,469
Stock based compensation	13,590	9,850	-	-
	1,550,766	1,580,845	387,313	525,397
Changes in non-cash working capital items				
Accounts receivable	(114,101)	(1,503,989)	(678,397)	(536,080)
Purchase rebates receivable from suppliers	(1,709,376)	(1,285,695)	(735,987)	(596,962)
Inventory	(1,248,259)	1,872,240	(590,556)	(658,449)
Prepaid expenses and other assets	788,195	111,966	154,118	(171,145)
Income taxes recoverable	467,545	(429,428)	540,544	(227,698)
Accounts payable and accrued liabilities	1,381,278	(4,259,212)	3,154,959	781,775
	1,116,048	(3,913,273)	2,231,994	(883,162)
Cash flows from investing activity				
Property plant and equipment	(757,627)	(629,959)	(97,001)	(318,456)
Acquisitions	(1,181,390)	(3,195,277)	(168,345)	(44,785)
Loans receivable	26,309	-	(19,830)	-
Intangibles	(20,000)	(20,000)	-	-
	(1,932,708)	(3,845,236)	(285,176)	(363,241)
Cash flows from financing activity				
Bank indebtedness	898,140	-	(1,562,099)	-
Issuance/(Repayment) of long-term debt-net	(949,834)	2,101,135	(384,719)	(134,668)
Issuance of capital stock	-	50,625	-	-
	(51,694)	2,151,760	(1,946,818)	(134,668)
Decrease in cash during the period	(868,354)	(5,606,749)	(-)	(1,381,071)
Cash (Bank indebtedness) at beginning of period	868,354	3,275,156	(-)	(950,522)
Bank indebtedness, at end of period	\$ (-)	\$ (2,331,593)	\$ (-)	\$ (2,331,593)

See accompanying notes.

The Skor Food Group Inc.

Notes to Interim Consolidated Financial Statements
May 31, 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 August 31, 2007.

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 May 31, 2008. These financial statements reflect the results of operation for the nine month period ended May 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES-FINANCIAL INSTRUMENTS

Effective September 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") 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.

The Skor Food Group Inc.

Notes to Interim Consolidated Financial Statements

May 31, 2008

(unaudited)

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.

Recent Accounting Pronouncements Issued and Not Yet Applied

- (i) In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"). CICA 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual financial statements for periods commencing September 1, 2009. The Company is in the process of assessing the impact of the new standard on its financial statements.
- (ii) In 2007, the CICA issued Handbook Section 1535, Capital Disclosures ("CICA 1535"). The new standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new standard is effective for the Company's interim and annual financial statements for periods commencing September 1, 2008. The Company is in the process of assessing the impact of the new standard on its financial statements.

The Skor Food Group Inc.

Notes to Interim Consolidated Financial Statements

May 31, 2008

(unaudited)

- (iii) In February 2007, the CICA issued two new standards, Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections will replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments on the entity's financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new standards are effective for the Company's interim and annual financial statements for periods commencing September 1, 2008. The Company is in the process of assessing the impact of these new sections on its financial statements.
- (iv) The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

3. LONG-TERM DEBT

	May 31 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	\$ 1,985,433	\$ 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	778,509	986,842
	2,763,942	3,713,776
Less: Current portion	1,488,661	3,713,776
	\$ 1,275,281	\$ -

4. CAPITAL STOCK

Authorized
unlimited common shares

Issued

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

The Skor Food Group Inc.

Notes to Interim Consolidated Financial Statements

May 31, 2008

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5. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	May 31 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 nine month period ended May 31:

	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	815,000			

The Company had the following stock options outstanding at May 31, 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	50,000	\$ 0.45	July 28, 2010
865,000	815,000		

The Skor Food Group Inc.

Notes to Interim Consolidated Financial Statements

May 31, 2008

(unaudited)

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 \$480,467 (2007 - \$645,259) worth of inventory at or below market rates and sold \$19,541 (2007 - \$20,455) 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 nine 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

Skor Culinary Concepts Inc., a wholly owned subsidiary of the Skor Food Group Inc., has entered into a binding letter of intent to acquire certain assets of a privately held firm which produces and distributes ready to eat products for the mobile catering and institutional marketplace.