

THE SKOR FOOD GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

DATE OF PREPARATION: DECEMBER 19, 2008

PERIOD: THE YEAR ENDED AUGUST 31, 2008

General

The following discussion and analysis provides a review of the consolidated financial conditions and operating performance of The Skor Food Group Inc. (the “Company” or “SKOR”) and its subsidiaries for the twelve month period ended August 31, 2008. This discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes. Any reference herein to 2008 shall mean the twelve month period ended August 31, 2008 and any reference herein to 2007 shall mean the twelve month period ended August 31, 2007.

Compliance with General Accepted Accounting Principles

Unless otherwise indicated, the financial information presented is expressed in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). SKOR utilizes earnings before interest and taxes, depreciation and amortization (“EBITDA”) as a measurement tool. This measure is a widely accepted financial indicator but it is not a measurement defined within GAAP.

Overview

SKOR is a vertically integrated regional based food Company that manufactures and distributes products through its three operating divisions.

The Skor Food Service Ltd. operating division is a full service, wholesale food distributor to the food service industry, offering more than 8,000 items from its 200,000 square foot warehouse in Vaughan, Ontario. Skor Food Service Ltd. services a wide range of multi location food retailers, quick service restaurant chains, day care facilities, government institutions, independent food service operators as well as vending operators and retail stores in Ontario.

Skor Wholesale Cash and Carry is a wholesaler to the independent retail grocer, convenience store and food service industry with 9 locations throughout Southern Ontario selling more than 14,000 private label and name brand, frozen goods, refrigerated products and dry goods including confectionary and tobacco.

Skor Culinary Concepts Inc. is in the business of manufacturing and distributing ready to eat sandwiches and meals for the catering, vending and institutional market.

On December 3, 2008 Skor Franchise Inc., completed the sale of the core operating assets related to the Galaxie Diner chain back to the original owner.

Overall Performance

The Industry

The food service industry is characterized as a mature industry growing at a level consistent with the geographical population expansion. There are a limited number of food service distributors providing country-wide service to the restaurant and hospitality industry with the majority of food service firms focused on servicing niche geographic, product or ethnic markets. Successful food distributors compete on high quality service, competitive prices and breadth and depth of product offering. SKOR is considered a mid size regional provider of products focused on the institutional and regional based quick service restaurant chains located throughout Ontario.

The wholesale cash and carry business in Ontario is also a mature industry. The marketplace is dominated by large firms such as National Grocers (Loblaws) and Sam's Club (Wal-Mart) and Costco, who supply both retailers and consumers from the same locations. Skor Cash and Carry is positioned as the largest independent cash and carry operator servicing the independent retail market. SKOR competes with numerous smaller geographic and ethnic focused competitors with single locations offering a limited breadth of products. Customers are price sensitive on certain key product lines (tobacco, confectionary and name brand beverages) where margins are historically very competitive.

The food manufacturing industry is also a mature business, growing at rates consistent with geographical population expansion. Specifically focusing on manufactured product for the vending and catering industry in the Greater Toronto Area, the business is mature but is extremely fragmented with no dominant, industry leader. The market offers considerable opportunity for growth in the food service and retail industries.

Risks

Risks and Uncertainties

Management is focused on maximizing profits and enhancing shareholder value by proactively managing the internal and external risks of the business. Some of these risk factors are summarized below;

- Credit risk associated with selling to independent food service operators and convenience store retailers;

SKOR manages its accounts receivable diligently, nonetheless, a material component of the business is transacted with independent operators (i.e. family owned and operated). Typically, family owned firms are not well capitalized and may experience a higher level of failure in the initial years of operation. The risk of non payment is mitigated by obtaining additional security where appropriate and restricting the terms to industry standards.

- Certain operating costs may not be passed on to customers;

In light of the competitive operating and low-inflationary environment, it is difficult to pass on price increases to offset higher costs for such items as fuel, utilities and property taxes. SKOR manages this risk by reviewing its operations and associated costs on a continual basis.

- Economic reliance on discretionary cash flow of the consumer for a portion of the business;

SKOR services a broad range of customers including government institutions, municipalities, quick service restaurants, retailers and independent food service operators. In tougher economic times, consumers may spend less of their discretionary income on dining out which could cause a contraction in the market size to which SKOR sells. Management believes that SKOR is somewhat sheltered from this market fluctuation, given its solid foundation of institutional business together with its focus on the quick service restaurant market, which tends to be less sensitive to consumer spending.

- Competitive marketplace;

SKOR is a well positioned regional competitor in a marketplace which has three distinct segments; large national, broad-line distributors; the family owned niche providers of product focused on either a geographic or ethnic market; or the mid-tier regional firms which are focused on providing broad-line product coverage to a regional market. SKOR competes in the Ontario regional segment against firms of all sizes. Given the market dominance of three large well capitalized firms (Loblaws, Wal-Mart and Costco), SKOR does not attempt to compete head on with these firms, however, certain product lines must be kept competitive to maintain traffic flow and customer loyalty. As such, certain product lines such as tobacco operate on extremely low gross margins; however, SKOR is attempting to reduce the reliance on these product categories by focusing its energies on expanding its higher margin product lines.

- Product obsolescence and spoilage;

SKOR is a distributor of a broad range of products and as such does not feel that product obsolescence or spoilage is an issue which could materially impact financial results. Inventory is well managed and as such, products which are extremely sensitive and therefore have a limited shelf life are purchased on a just-in-time basis for specific customer orders.

- Low Margin and Inflation;

Profit levels may be negatively impacted during periods of price deflation as margins remain consistent, however, revenue may decline. During periods of inflation, it is possible that customers may resist paying higher prices for product costs passed on by the manufacturer to the distributor.

- Changes to distribution channels initiated by Suppliers

During the course of normal business operations, suppliers may attempt to reduce, eliminate or change the distribution channels or pricing to those channels. These distribution channel changes may result in a reduction in business through SKOR which could have a material effect on revenue and gross margin.

- Seasonality and weather

The business may experience fluctuations resulting from a number of factors such as economic conditions, effects of severe weather and seasonality in certain market areas due to their proximity to traditional vacation destinations.

Results of Operation- Year Ended August 31, 2008

Revenue

During the fourth quarter, management, having the authority to proceed, committed to a plan to sell or close three under-performing locations of its wholesale cash and carry operation. Therefore, the operating results and cash flows of the three locations for the current fiscal year and the comparative period have been presented under "Discontinued Operations". The assets and liabilities of the three locations have also been presented separately as discontinued operations in the balance sheet.

Consolidated revenue, including revenue from discontinued operations, decreased by 11.2% on a year over year basis from \$180,160,588 to \$160,093,921. The revenue decrease is attributed primarily to the challenging conditions at the Cash and Carry Operations, which declined by 24.1% on a year over year basis. Excluding revenue from discontinued operations, revenue decreased by 9.1% from \$160,252,552 to \$145,705,135. Revenue in the current year was negatively impacted by increasingly competitive conditions in our core markets, wet summer weather conditions which reduced travel to cottage country in Ontario and also reduced the traffic at recreational facilities such as golf courses, which are a large component of SKOR'S seasonal sales volumes. At the same time, a softening in the Ontario economy together with higher fuel prices has reduced consumers' discretionary cash flow to spend on such items as entertainment and restaurant meals. In light of these challenges, the food service operation is maintaining its revenue base consistent with prior years and in-line with management's expectations.

The Wholesale Cash and Carry segment continues to feel the pressure from a competitive retailing environment and the ongoing challenges to obtain and retain new high value customer relationships. Total revenue declined on a year over year basis by approximately 24.1% of which a significant portion of the revenue decline was in low margin tobacco products. Nonetheless, management continues to develop opportunities to differentiate the business model from that of the competition.

Skor Culinary revenue increased on a year over year basis, the results being positively impacted by the acquisition of City Wide catering in January 2008 and to a lesser extent the acquisition of JW Food Service in August 2008 and the acquisition of certain assets of Jerry's Canteen Service in August 2008.

Cost of Sales and Gross Profit

Gross profit, excluding the discontinued operations, increased on an absolute basis by 2.0% from 14.3% of revenue in 2007 to 16.3% of revenue in 2008. As a result, gross profit increased by \$820,084 from \$22,939,832 in fiscal 2007 to \$23,759,916 in the current year. Margins were positively impacted by the inclusion of the higher margin Skor Culinary business together with an improved sales mix of products with a lower exposure to tobacco related products.

On a forward looking basis, gross profit margins are expected to be in the 14-18%. Margins may also fluctuate dependent upon the mix of products sold to customers throughout the year.

Expenses

On a consolidated basis and excluding the results from discontinued operations, operating expenses decreased by 1.0% on a year over year basis to \$20,981,131 from \$21,157,608.

Total expenses, including interest and amortization, increased by 0.1% on a year over year basis to \$22,555,947 from \$22,442,201. Negatively impacting expenses was higher amortization (\$304,737 increase) costs and operating costs associated with acquired businesses at Skor Culinary Concepts in both January and August of the current fiscal year.

Stock Based Compensation ("SBC")

The company applies a fair value based method of accounting to all stock-based payments. For fiscal 2008, stock based compensation was \$13,590, an increase of \$3,740 from the prior year's \$9,850. The expenses are reflected in operating expenses.

EBITDA

EBITDA, before taking into account relocation costs and losses associated with the discontinued operations at Skor Franchise and at Skor Cash and Carry, increased by \$1,032,862 to \$2,891,839 from \$1,858,977 the prior year. On a diluted basis, EBITDA before taking into account the discontinued operations was \$0.11 per share improving from \$0.07 the prior year.

Including the results from the discontinued operations and relocation costs, EBITDA increased from \$1,282,241 (\$0.05 per share diluted) in 2007 to \$2,388,687 (\$0.09 per share diluted) in 2008

Net Earnings

Net earnings, after tax, discontinued operations and relocation costs, increased by \$645,501 to \$439,919 (\$0.02 per share) from a loss of \$205,582 (-\$0.01/per share) the prior year.

Earnings before tax, relocation costs and income/loss associated with discontinued operations increased by \$706,338 to an income of \$1,203,969 (\$0.05 per share diluted) from an income of \$497,631(\$0.02 per share diluted) in the prior year.

Selected Annual Information

	2008	2007	2006
Revenue-net of discontinued operations	\$145,705,135	\$160,252,552	\$154,054,467
Earnings/(loss) before discontinued operations and relocation costs	1,203,969	497,631	3,087,915
Costs associated with discontinued operations and relocation costs	(586,273)	(678,171)	(346,816)
Earnings (loss) before income taxes	617,696	(180,540)	2,741,099
Income taxes	177,777	25,042	1,012,152
Net earnings/(loss)	439,919	(205,582)	1,728,947
Earnings/(loss) per share-basic	.02	(.01)	.08
Earnings/(loss) per share- diluted	.02	(.01)	.08
Total Assets	30,719,449	30,205,117	33,222,052
Total Long Term Liabilities	2,391,775	3,713,776	1,837,573
Cash dividends declared	0	0	0

The preparation of the financial statements is in conformity with generally accepted accounting principles. Fiscal 2006 revenue includes the operating revenues from the Skor Cash and Carry discontinued operations identified as such in fiscal 2008.

Results of Operation- Fourth Quarter Ended August 31, 2008

As indicated on the year end analysis, the operating results from three cash and carry locations were moved into discontinued operations in the fourth quarter. We have not retroactively recalculated the financial results for the first three quarters of the present fiscal year to reflect this change and as such, we will limit our comments to include the financial results of the discontinued operations for the fourth quarter.

Revenue

Revenue for the fourth quarter was \$39,127,341 compared to \$46,823,709 in the comparable period the prior year, representing a \$7,696,368(16.5%) decrease on a year over year basis. Weakness at the cash and carry operations was the contributing factor for the decrease in year over year revenue.

Gross Profit

Gross profit in the quarter, including results from discontinued operations, was \$4,942,052. The gross profit figure for the current period was impacted by the year end reclassification of an expense from the operating expense category to cost of sales. In the absence of this reclassification, gross profit would have increased by \$1,028,422 to \$5,970,474. The offset to this reclassification was a reduction in operating expenses.

Expenses

Total expenses in the current quarter, including the results from discontinued operations, were \$4,613,406. Management continued to carefully manage its costs, however, the fourth quarter was impacted by dramatically higher fuel costs which have since returned to more historic levels

Amortization of property plant and equipment and intangible costs increased to \$433,001 in the quarter from \$381,458 in the prior quarter. The increase was due to the acquisitions undertaken by Skor Culinary in the fourth quarter.

Stock Based Compensation (“SBC”)

Nil

EBITDA

EBITDA for the quarter was \$435,202 (\$0.02/share) compared with a negative EBITDA of \$728,202 (-\$0.03) in the prior year’s comparable period.

Net Earnings

Due to higher costs associated with amortization of intangibles acquired with the recent acquisitions, increased fuel costs and losses associated with the discontinued operations, the company experienced a pre-tax loss of \$59,758 (\$0.00/share) in the period. The results in the fourth quarter compare favourably to a loss in the comparable period the prior year.

Summary of Quarterly Results

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Revenue(\$)	39,127,341	40,159,426	38,111,017	42,696,137	46,823,709	47,801,840	40,536,162	44,976,355
Earnings/(loss) before tax and non recurring items(\$)	(59,758)	8,176	75,476	600,250	(1,134,594)	293,679	86,522	688,041
Net Earnings(\$)	(77,228)	39,872	31,263	446,012	(973,008)	257,846	30,119	479,461
EPS-Basic	(.00)	.00	.00	.02	(.04)	.01	.00	.02
EPS-Diluted	(.00)	.00	.00	.02	(.04)	.01	.00	.02
Outstanding Shares-Basic	26,148,670	26,148,670	26,148,670	26,148,670	25,792,148	25,748,670	25,748,670	25,703,340

All amounts are in CDN Dollars and include the results from discontinued operations.

Capital Investments and Acquisitions

Excluding the assets acquired in conjunction with the acquisitions, \$60,890 was invested in the quarter and \$871,843 was invested during the course of the year in property plant and equipment. The largest component of the investment in the past year was attributable to the construction of the two wholesale marketplace locations (St. Catherine and Bradford). On a year over year basis, capital expenditures declined by \$32,815.

Subject to no material changes to the operations and no acquisitions, we expect normal ongoing maintenance capital expenditures to approximate \$250,000 for fiscal 2009.

During the fourth quarter, SKOR, through it Skor Culinary Concepts Inc. subsidiary, acquired certain operating assets of Jerry’s Canteen Services and JW Food Services. These two acquisitions will add an additional \$2.5 million to the annual revenue base. The acquisitions were completed late in the fourth quarter and accordingly, had a nominal effect on the financial performance of the business.

Liquidity and Capital Resources

Working Capital

Working capital consists primarily of inventory and accounts receivable. As at August 31, 2008, SKOR had a working capital ratio of 1.53:1, and working capital of \$6,947,104. On a year over year basis, working capital decreased by \$933,589 as a result of the repayment of long term debt (\$1,322,001), the acquisition of fixed assets (\$871,843) and the acquisitions of City Wide Catering, Jerry's Canteen Services and JW Food Services (\$1,510,805). Excluding the current portion of bank debt which was \$2,391,775 at year end, working capital was \$9,338,879 (\$0.36 per share). SKOR has adequate working capital and available lines of credit to support projected near term growth.

SKOR maintained approximately 27 days worth of inventory at year end, an amount which is considered adequate to effectively service its customers. Inventory, net of discontinued operations, declined by \$855,379 on a year over year basis as the cash and carry operations improved their management of inventory by delisting slow moving products and better focusing on products which could provide a combination of improved turns and better margins.

Based upon the level of business being transacted by SKOR, working capital is deemed adequate to support near term organic growth. As income is retained in the business and recognizing that capital expenditures are expected to return to historical levels, working capital is expected to strengthen. The firm manages its working capital and draws on its bank operating facility to maximize supplier early payment discounts and special pricing opportunities where deemed appropriate.

Bank Debt

At year end, SKOR had an operating line of credit of \$6,000,000 with a Schedule A Canadian Chartered Bank, (secured by a charge on the assets of the company), which was deemed sufficient to meet the near term operating requirements of the business. The operating facility was less than 27% drawn at period end.

The existing credit facilities are deemed adequate to support the organic growth of the consolidated group, providing additional flexibility to fund future growth.

The existing term debt facility requires the company to meet a certain debt service covenant as measured on a quarterly basis. Unfunded acquisitions and capital expenditures to build out the two Wholesale Marketplace locations combined with continued challenges at the Cash and Carry operations have impacted SKOR's ability to meet the debt service covenant. In this regard, the term indebtedness has been treated as a current liability. The Schedule A Canadian Chartered Bank has agreed to tolerate the violation of the debt service covenant to date and recently the Company presented a proposal to the Bank to rectify the situation by February 28, 2009.

Contractual Obligations	Payments Due by Period (\$)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long Term Debt	2,391,775	1,488,660	903,115	0	0
Capital Lease Obligations	0	0	0	0	0
Operating Leases	8,423,078	3,040,488	3,332,637	1,603,237	446,716
Purchase Obligations	0	0	0	0	0
Other Long Term Obligations	0	0	0	0	0
Total Contractual Obligations	10,814,853	4,529,148	4,235,752	1,603,237	446,716

Capital Expenditure Commitments

SKOR has no capital commitments outstanding as at year end.

Capital Resources

SKOR is underleveraged with a long term debt to equity ratio of 0.14:1. The present amortization period of the term debt facilities will produce a dramatic decline in future debt to equity ratios, subject to no additional debt being added.

Financial Instruments and Other Instruments

The company is exposed to certain interest rate risks, which have been identified earlier under the bank debt section and are summarized below.

At quarter end, SKOR is exposed to interest rate risk as it relates to its operating credit. Based upon expected usage of \$2,000,000, each 25 basis point change in borrowing costs impacts quarterly interest expense by \$1,250.

The floating rate term facilities provided by a Schedule "A" Bank exposes SKOR to interest rate risk; however, the facility offers the ability for SKOR to convert to a fixed rate option at any time. At this time, a 25 basis point change in floating rate borrowing costs impacts quarterly interest expense by \$1,031, based upon projected average utilization of \$1,650,000 for the next twelve month period.

SKOR has not utilized derivatives to hedge or speculate on interest rate changes.

Off Balance Sheet Arrangements

SKOR has issued indemnities in respect to letters of credit issued by its bank for letters of credit in favour of certain customers for future performance under specific contracts. As at August 31, 2008, there was \$20,000 worth of letters of credit issued and outstanding.

Transactions with Related Parties

In the most recent year and in the normal course of business, SKOR purchased approximately \$623,076 (2007-\$912,763) and sold \$22,880 (2007-\$21,161) worth of product at or below market rates, from/to a Company, which certain officers and directors of SKOR have a financial interest in.

SKOR has no other contractual obligations with respect to inter-company transactions.

Legal Proceedings

Subsequent to year end, a legal claim made against the Company in 2006 was settled. As part of the settlement, SKOR shall receive 50% of its original deposit which was retained by the Vendor. As the deposit was previously written off, SKOR is expected to book a gain on \$12,500 in the second quarter of fiscal 2009.

Management Changes

Nil

New Accounting Pronouncements

Please refer the Audited Financial Statements for a full disclosure of the accounting pronouncements.

Disclosure Controls

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Company.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as of August 31, 2008, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

Capital Stock – Common Shares as at December 19, 2008

Issued and Outstanding (August 31, 2007)	26,148,670
Add:	
Options (Expiry March 22, 2009)	140,000
Options (Expiry January 2009)	80,000
Options (Expiry December 2009)	100,000
Options (Expiry July 28, 2010)	100,000
Options (Expiry December 27, 2010)	300,000
Less:	
Normal Course Issuer Bid Purchases (To be cancelled)	(75,000)
Return of shares issued on acquisition of Galaxie assets (To be cancelled)	<u>(145,000)</u>
Diluted	26,648,670

Subsequent to year end, SKOR has acquired 75,000 to date under its normal course issuer bid at an average price of \$0.20/share. The shares will be cancelled, thereby reducing the basic and diluted shares outstanding in future quarters.

In conjunction with the sale of the assets related to the Galaxie Diner chain, 145,000 shares were returned by the purchaser to SKOR for cancellation.

Significant Events during the Quarter

Skor Culinary Concepts acquired certain operating assets of Jerry's Canteen Services and JW Food Services for \$650,000 plus closing adjustments. The acquisition was funded from working capital which is expected to be principally repaid in the near term from the sale of certain assets acquired as part of the acquisition.

Subsequent Events

On September 18, 2008 a total of 75,000 options were issued to a senior executive of Skor Food Service at \$0.45/share

On December 3, 2008, Skor Franchise completed the sale of the assets related to the Galaxie Diner chain back to its original owner as outlined in previous management discussions and analysis.

On December 8, 2008, Skor Cash and Carry closed three of its underperforming locations in Tillsonburg, Mississauga and Scarborough. The Company was actively trying to sell these assets since August 2008 and accordingly, the operations were treated as discontinued operations as at August 31, 2008 and for the comparative year end. The assets (primarily inventory) associated with the three locations were either moved to existing locations, disposed of, or are being held for resale. The majority of full time staff was provided with employment opportunities within SKOR and the three facilities, which have leases at/or below market rates will be aggressively marketed to sub-let as soon as possible in an attempt to minimize future payment obligations on the subject properties.

Outlook

A difficult operating environment caused by the present recession, reduction in consumer discretionary spending and decreasing consumer confidence impacted all operating segments in the past two quarters. We are trying to combat these difficult operating conditions by better managing our costs, tightening controls on credit where necessary and trying to cultivate strong new business relationships. We are confident that SKOR will manage the current business environment and will exit a much stronger and more efficient organization.

We will continue to assess each individual operating division's performance and should present management be unable to deliver the returns expected by the executive and our shareholders, we will seek out alternatives to improve the overall performance, which may include the sale or closure of such units.

Additional Information

Additional information relating to the Corporation is available under the Corporation's profile on the SEDAR website at www.sedar.com. Shareholders may contact the Corporation to request copies of the financial statements and MD&A by: (i) mail to 10 Ronrose Drive, Vaughan Ontario L4K 4R3 or (ii) fax to (905) 532-3627.

Forward-Looking Information

The Company and its representatives periodically make written and oral forward-looking statements, including those contained in this document and all documents and reports disseminated to shareholders and the public. Forward-looking statements involve significant risk, uncertainties and assumptions that could result in actual results being different from anticipated performance. SKOR cautions readers to the risks, uncertainties and assumptions of forward-looking statements. Although the forward-looking statements the Company makes are based on what management believes to be reasonable assumptions at the time the statements are made, the Company cannot guarantee or assure prospective investors that actual results will be consistent with SKOR's forward looking statements.