

**GINGER BEEF CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

GINGER BEEF CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the shareholders of
Ginger Beef Corporation

We have audited the accompanying consolidated financial statements of Ginger Beef Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of earnings and comprehensive income and retained earnings, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ginger Beef Corporation as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
April 28, 2011


Chartered Accountants, LLP

**GINGER BEEF CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2010 AND 2009**

	2010	2009
ASSETS		
CURRENT		
Cash	\$ 990,970	\$ 719,609
Accounts receivable	758,733	679,957
Due from related parties	82,565	141,127
Inventory	279,222	284,543
Income taxes recoverable	-	16,654
Goods and services tax recoverable	19,228	28,538
Prepaid and deposit	5,133	6,468
	2,135,851	1,876,896
PROPERTY, PLANT AND EQUIPMENT (note 4)	1,714,708	1,858,925
INTANGIBLE (note 5)	17,334	25,798
NOTE RECEIVABLE (note 6)	50,000	50,000
FUTURE INCOME TAXES (note 11)	17,800	28,800
	\$ 3,935,693	\$ 3,840,419
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 705,042	\$ 635,627
Income taxes payable	71,878	-
Wages payable	5,483	4,441
Employee deductions payable	11,446	9,008
Current portion of long term debt	92,210	87,967
	886,059	737,043
LONG TERM DEBT (note 7)	600,013	692,103
FUTURE INCOME TAXES (note 11)	34,300	43,200
	1,520,372	1,472,346
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 9)	1,470,934	1,491,490
CONTRIBUTED SURPLUS	130,830	127,721
RETAINED EARNINGS	813,557	748,862
	2,415,321	2,368,073
	\$ 3,935,693	\$ 3,840,419

APPROVED ON BEHALF OF THE BOARD:

(Signed) S. Leung, Director

(Signed) M. Poon, Director

GINGER BEEF CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPEHENSIVE INCOME
AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
WHOLESALE REVENUE	\$ 7,226,329	\$ 6,626,065
COST OF GOOD SOLD	5,652,999	5,305,745
GROSS MARGINS	1,573,330	1,320,320
MANAGEMENT SERVICE FEES	83,607	102,721
	1,656,937	1,423,041
EXPENSES		
Advertising and promotions	83,851	52,963
Amortization of intangibles	8,539	8,441
Amortization of tangibles	174,763	178,076
General and administrative	1,104,017	1,020,481
Interest and bank charges	9,773	4,703
Interest on long term debt	37,503	21,533
	1,418,446	1,286,197
INCOME FROM OPERATIONS	238,491	136,844
OTHER INCOME		
Interest	1,888	2,540
Royalties and franchise fees	54,247	65,928
Gain on disposal of assets	-	39,388
	56,135	107,856
INCOME BEFORE INCOME TAXES	294,626	244,700
INCOME TAXES		
Current income taxes	89,726	77,614
Future income taxes	2,100	17,700
	91,826	95,314
NET EARNINGS AND COMPEHENSIVE INCOME	202,800	149,386
RETAINED EARNINGS, beginning of year	748,862	599,476
DIVIDEND PAID	(138,105)	-
RETAINED EARNINGS, end of year	\$ 813,557	\$ 748,862
BASIC AND FULLY DILUTED EARNINGS PER SHARE	\$ 0.01	\$ 0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	13,847,705	14,086,581

GINGER BEEF CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING ACTIVITIES		
Net earnings	\$ 202,800	\$ 149,386
Items not requiring an outlay of cash:		
Amortization	183,302	186,517
Future income tax	2,100	17,700
Gain on sale of assets held for resale	-	(39,388)
	<u>388,202</u>	<u>314,215</u>
CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	(78,777)	(211,419)
Inventory	5,321	(53,571)
Prepaid and deposit	1,335	(6,228)
Accounts payable and accrued liabilities	72,895	83,595
Taxes payable/(recoverable)	97,842	(16,806)
	<u>98,616</u>	<u>(204,429)</u>
CASH FLOW FROM OPERATING ACTIVITIES	<u>486,818</u>	<u>109,786</u>
CASH USED IN FINANCING ACTIVITIES		
Dividends on common shares	(138,105)	-
Proceeds from new loan	-	846,000
(Decrease) increase due from related parties	58,562	(152,427)
Share redemption	(17,447)	(14,409)
Repayment of long term debt	(87,847)	(895,104)
	<u>(184,837)</u>	<u>(215,940)</u>
CASH USED IN INVESTING ACTIVITY		
Purchase of property, plant and equipment	(30,620)	(227,423)
Proceeds on disposal of franchise	-	121,963
	<u>(30,620)</u>	<u>(105,460)</u>
INCREASE (DECREASE) IN CASH FLOW	<u>271,361</u>	<u>(211,614)</u>
CASH, beginning of year	<u>719,609</u>	<u>931,223</u>
CASH, end of year	<u>\$ 990,970</u>	<u>\$ 719,609</u>
CASH CONSISTED OF:		
Cash in hand	\$ 533,184	\$ 263,646
Term deposit	457,786	455,963
	<u>\$ 990,970</u>	<u>\$ 719,609</u>
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	\$ 37,503	\$ 26,236
Income taxes paid	\$ -	\$ 85,941

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. NATURE OF OPERATIONS

Ginger Beef Corporation (Corporation) was incorporated under the Business Corporation Act (Alberta) on April 26, 2000 and is listed on TSX Venture Exchange ("TSXV") under the symbol "GB".

The Corporation's operations include Ginger Beef Express Ltd ("Express") and its wholly-owned subsidiary Ginger Beef Choice Ltd. ("Choice") and 1379915 Alberta Ltd. Express is a franchiser of Chinese food restaurants located primarily in Calgary, and is the holding company for Choice, a manufacturer of fresh and frozen Chinese food items for wholesalers primarily in Western Canada. Choice was incorporated under the Business Corporation Act (Alberta) on July 22, 1998. 1379915 Alberta Ltd. is a subsidiary incorporated in 2009 and is wholly controlled by the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Corporation and its subsidiaries have been prepared following the Canadian generally accepted accounting principles ("GAAP"). The statements have been prepared using Canadian dollars except otherwise noted. Outlined below are those policies considered particularly significant.

Principles of consolidation

These consolidated financial statements of the Corporation include the accounts of the Corporation and its wholly subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Changes in accounting policies

As of January 1, 2009, the Corporation adopted CICA section 3064, "Goodwill and Intangible Assets", which replaces section 3062, "Goodwill and Other Intangible Assets", and section 3450, "Research and Development Costs". This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in previous section 3062. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and its adoption did not have a material impact to the Corporation's financial position and results of operations.

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of the financial assets and financial liabilities, including derivative instruments. The adoption of this standard had no impact on the Corporation's presentation of its financial position or results of operations as at December 31, 2010.

In June 2009, the CICA improved disclosures about financial instruments in the amendments to Section 3862, "Financial Instruments - Disclosures". The improved disclosures relate to the reliability of the inputs use in measurement of fair value. The amendments to Section 3862 apply to annual financial statements for fiscal years ending after September 30, 2009.

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and term deposits

Cash and cash equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings	4%	straight-line method
Leasehold improvements	20%	straight-line method
Machinery, equipment, furniture and fixtures	20%	diminishing balance method
Equipment under capital leases	30%	diminishing balance method
Vehicles	30%	diminishing balance method

The Corporation regularly review its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Trademarks

Trademarks are evaluated annually for impairment and are being amortized at 5% on a straight line basis.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost includes raw materials on a first in first out basis, other direct manufacturing costs and an allocation of manufacturing overheads.

Sales revenue recognition

- a) Manufactured food revenues are recognized when shipped to customers, the price is reasonably determinable and collection is reasonably assured.
- b) Initial franchise fees are recognized as income when the agreement is signed and the funds received.
- c) Franchise royalties are recognized as earned on a monthly basis.
- d) Sales from the restaurant are recognized when food and services are provided.

Future income taxes

The Corporation uses the asset and liability method of accounting for income taxes whereby future income taxes are recognized for future income tax consequence attributable to differences between the financial statement carrying values and their respective income tax basis. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to recovered or settled. Future income tax assets are recognized only when recovery is more likely than not.

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property, plant and equipment, stock based compensation, and future income taxes. Actual results could differ from these estimates.

Stock based compensation

The Corporation uses the fair value method of expensing all stock-based payments for employees as well as non-employees. Under this method, compensation expense related to these programs is recorded in the statement of income with a corresponding increase to contributed surplus. The fair value of options granted is determined at the date of grant using the Black Scholes valuation model. Consideration paid by employees, officers and directors on the exercise of stock options is credited to share capital.

Impairment of long lived assets

In the event that facts and circumstances indicate that the Corporation's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The Corporation considers that no circumstances exist that would require such an evaluation.

Earning per share

Basic earnings per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from exercise of in the money stock options and warrants are used to repurchase common shares at the prevailing market rate.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenue and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3. FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards (“IFRS”)

In February 2008, Canadian Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011.

For the Corporation, the conversion to IFRS will be required for interim and annual financial statements for the year ending December 31, 2011. IFRS uses a conceptual framework similar to Canadian GAPP, but there are significant differences in recognition, measurement and disclosures.

4. PROPERTY, PLANT AND EQUIPMENT

December 31, 2010

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 140,000	\$ -	\$ 140,000
Buildings	1,587,124	512,779	1,074,345
Machinery, equipment, furniture & fixtures	1,641,591	1,237,084	404,507
Motor vehicle	2,410	2,168	242
Equipment under capital lease	14,500	5,873	8,627
Leasehold improvements	131,337	44,350	86,987
Total	\$ 3,516,962	\$ 1,802,254	\$ 1,714,708

December 31, 2009

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 140,000	\$ -	\$ 140,000
Buildings	1,587,124	449,294	1,137,830
Machinery, equipment, furniture & fixtures	1,610,972	1,139,767	471,205
Motor vehicle	2,410	2,065	345
Equipment under capital lease	14,500	2,176	12,324
Leasehold improvements	131,337	34,116	97,221
Total	\$ 3,486,343	\$ 1,627,418	\$ 1,858,925

GINGER BEEF CORPORATION
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

5. INTANGIBLE ASSETS

	2010	2009
Trademarks	\$ 169,304	\$ 169,304
Accumulated amortization	<u>(151,970)</u>	<u>(143,506)</u>
	<u>\$ 17,334</u>	<u>\$ 25,798</u>

6. NOTE RECEIVABLE

In March 2009, the Corporation's share in 1379888 Alberta Ltd. – operating as Ginger Beef – Old Banff Coach Road was sold to an unrelated party for \$50,000. For consideration, the purchaser issued a secured promissory note with a three year term bearing interest at Royal Bank prime rate plus 1.5%.

7. LONG TERM DEBT

	2010	2009
Royal Bank term loan bearing interest at floating rate of Royal Bank Prime plus 2% annum payable in monthly instalments of \$1,800 including interest, maturing in September 2014.	\$ 76,438	\$ 95,334
Capital lease obligations related to computer equipment bearing interest at 18.9% per annum, repayable in monthly blended payments of \$408. The loan matures on November 2012 and is secured by the computer equipment	8,644	11,737
Loan with Royal Bank bearing interest at a fixed rate of 4.87% per annum, repayable in monthly blended payments of \$8,071. The Loan matures on December 2014 and is secured by a first ranking security interest in all property of one of the subsidiaries and a floating charge on land owned by the subsidiary	<u>607,141</u>	<u>672,999</u>
	692,223	780,070
Less: amount due within one year	<u>(92,210)</u>	<u>(87,967)</u>
	<u>\$ 600,013</u>	<u>\$ 692,103</u>

Principal repayments for the following five years are as follows:

2011	\$ 92,210
2012	97,892
2013	97,532
2014	94,934
2015 and after	<u>309,655</u>
	<u>\$ 692,223</u>

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

8. BANK FACILITY

The Corporation has a demand operating revolving line of credit to a maximum of \$200,000 with the Royal Bank of Canada with interest at prime plus 1.75%, secured by a general security agreement. The balance on this facility as at December 31, 2010 was \$nil (2009-\$nil).

9. SHARE CAPITAL

Authorized: Unlimited number of common shares

<u>Issued</u>	<u>2010</u>		<u>2009</u>	
	<u>Number of Shares</u>	<u>Amount</u>	<u>Number of Shares</u>	<u>Amount</u>
Balance, January 1	14,003,497	\$ 1,491,490	14,171,997	\$ 1,509,437
Repurchased	(193,000)	(20,556)	(168,500)	(17,947)
<u>Balance, December 31</u>	<u>13,810,497</u>	<u>\$ 1,470,934</u>	<u>14,003,497</u>	<u>\$ 1,491,490</u>

Normal course issuer bid

On September 30, 2009, the Corporation announced that it has filed with the TSX Venture Exchange a Notice of Intention to Make a Normal Course Issuer Bid which shall commence on October 2, 2009 and determinate on October 10, 2010 or the earlier of the date all shares which are subject to the Normal Course Issuer Bid are purchased. In the opinion of the Board of Directors of the Corporation, the market price of the Common Shares of the Corporation does not accurately reflect the value of those shares. As a result, the Corporation intends to repurchase the Corporation's common shares that may become available for purchase at prices, which make them an appropriate use of funds of the Corporation. The Corporation intends to attempt to acquire up to an aggregate of 708,599 of the common shares over the next 12-month period representing approximately 5% of the issued and outstanding Common Shares of the Corporation. Purchases subject to the Normal Course Issuer Bid will be carried out pursuant to open market transactions through the facilities of the TSX Venture Exchange. All Common Shares purchased by the Corporation under the Normal Course Issuer Bid will be cancelled.

For the period from October 2, 2009 to October 10, 2010, a total of 361,500 common shares were repurchased at an average market price of \$0.09 per common share of which all were cancelled. The deficiency of \$6,948 of the repurchase of the shares has been charged to contributed surplus.

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

10. STOCK BASED COMPENSATION PLAN

Pursuant to the Corporation's stock-based compensation plan, the Board of Directors may allocate non-transferable options to purchase common shares of the Corporation to directors, officers, management consultants and employees of the Corporation and its subsidiaries.

Under the stock-based compensation plan, the aggregate number of shares to be delivered upon the exercise of options granted thereunder may not exceed 10% of the issued common shares of the Corporation at the time of granting the options. The aggregate number of shares to be delivered upon exercise of the options granted thereunder to any individual shall not exceed 5% of the issued common shares of the Corporation. The options under the stock-based compensation plan are non-assignable, except in the event of death and are exercisable for a term of four years. Options granted under the stock-based compensation plan terminate within 90 days in the event that the optionee ceases to be an employee, director or officer of the Corporation or within one year after the death of such optionee. The Board of Directors may, at its discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

At December 31, 2010, the Corporation had the following outstanding stock options issued to directors, officers, management consultants and employees pursuant to the Corporation's stock-based compensation plan:

	Number	Weighted Average Excise Price 2010	Number	Weighted Average Excise Price 2009
<u>Outstanding, beginning of year</u>	1,355,000	\$ 0.16	1,355,000	\$ 0.16
<u>Outstanding, end of year</u>	1,355,000	\$ 0.16	1,355,000	\$ 0.16
<u>Exercisable at year end</u>	1,355,000	\$ 0.16	1,355,000	\$ 0.16

All of the above options expire on August 2011.

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

11. INCOME TAXES

Income taxes

Significant components of the Corporation's future tax assets and liabilities are as follows:

	2010	2009
Property, plant and equipment	\$ (29,700)	\$ (36,400)
Trademarks	(4,600)	(6,800)
	(34,300)	(43,200)
Unused operating losses	17,800	28,800
	<u>\$ (16,500)</u>	<u>\$ (14,400)</u>

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 28.0% (2009 – 29.00%) to the income for the year and is reconciled as follows:

	2010	2009
<u>Income before income taxes</u>	<u>\$ 294,626</u>	<u>\$ 244,700</u>
Computed "expected" taxes	\$ 82,495	\$ 56,241
Increase (decrease) resulting from:		
Change in rate	(1,555)	(1,364)
Non-deductible costs	836	1,302
Non-taxable portion of capital gains	-	(5,712)
Expired losses	10,050	30,125
<u>Income tax expense</u>	<u>\$ 91,826</u>	<u>\$ 95,314</u>

Income tax losses carry forward

The Corporation and its subsidiaries have losses of approximately \$67,230 (2009 - \$107,200) available to reduce future taxable income. These losses expire as follows:

2012	344
2029	30,654
2030	36,232

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

12. RELATED PARTY TRANSACTIONS

Transactions with related parties (companies controlled by an officer and director of the Corporation) include product sales and costs, sharing of promotional costs, management service fees, franchise fees and royalties received according to terms outlined in the individual franchise agreements. These are considered to be in the normal course of business and were recorded at the exchange amount used by the Corporation under normal business terms.

During the year, the Corporation's revenues with related parties included the following:

	2010	2009
Management service fees	\$ 83,607	\$ 102,721
<u>Product sales</u>	<u>236,236</u>	<u>188,947</u>
	<u>\$ 319,843</u>	<u>\$ 291,668</u>

The amount due to or from related parties at December 31, 2010 are as follows:

	2010	2009
Companies controlled by an officer and director of the Corporation	\$ 1,866	\$ 10,694
Franchise amounts receivable	62,970	89,038
<u>Management service fees</u>	<u>17,729</u>	<u>41,395</u>
	<u>\$ 82,565</u>	<u>\$ 141,127</u>

13. FINANCIAL INSTRUMENTS

The Corporation's financial instruments include cash, accounts receivable, note receivable, due from related parties, deposits, accounts payable and accrued liabilities and long term debt.

Classification of these financial instruments are as follow:

- (a) Cash is classified as "held for trading" and any period change in fair value is recorded through net income;
- (b) Accounts receivable, note receivable, due from related parties and deposits are classified as "loans and receivable". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method; and
- (c) Accounts payable and liabilities and long term debt are classified as " other financial liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

13. FINANCIAL INSTRUMENTS (continued)

Fair value

The Corporation's carrying value of cash and cash equivalent, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term of these instruments.

The fair value of the amounts due to shareholders are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

The carrying value of the long term debt approximate the fair value as the interest rates are consistent with the current rates offered to the Corporation for best with similar terms.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conduct regular reviews of its existing customers credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation does business mostly with large retail stores and well-established customers, thus reducing its credit risk. On the other hand, the number of customers the Corporation serves is limited, which increase the risk of business concentration and economic dependency. As at December 31, 2010, Choice derived 66% of its revenue from its five largest customers (2009 – 66% from its five largest) and these customers contributed more than 10% of the total consolidated revenue, which is 19%, 15% 12% and 12% respectively.

The Corporation's maximum exposure to credit risk associated with financial assets is the total carrying value of those assets.

Currency risk

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risk from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its floating rate bank indebtedness and credit facilities.

As at December 31, 2010, all bank facilities and loans bear fixed interest rates. The interest risk of financial instruments is minimal.

GINGER BEEF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

14. CAPITAL DISCLOSURE

The corporation's objectives when managing capital are:

- a) To safeguard the Corporation's ability as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- b) To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Corporation includes the follows in the capital:

1. Shareholder's equity;
2. Long-term debt including the current portion; and
3. Cash and cash equivalents and short-term investments.

The Corporation manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Corporation consists of mortgages and loans payable and shareholders' equity comprised of common shares, contributed surplus and retained earnings.

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation will balance its overall capital structure through the new share issues, share repurchases, the payment of dividends, the issue of debt or by undertaking other activities as deemed appropriate under specific circumstances.

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2010.

15. COMMITMENTS

The Corporation has guaranteed the lease obligations for two of its franchised operations. The minimum lease obligations are as follows:

2011	\$ 99,500
2012	99,500
2013	<u>9,950</u>
	<u>\$ 208,950</u>

In addition, the Corporation has lease obligations for one of its subsidiary. The minimum lease obligations for the next 5 years are as follows:

2011	\$ 30,000
2012	30,000
2013	30,000
2014	30,000
2015	<u>30,000</u>
	<u>\$ 150,000</u>

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16. SUBSEQUENT EVENT

Subsequent to December 31, 2010, the Corporation received an offer from an unrelated third party to purchase the Ginger Beef Express - Crowfoot location for the price of \$328,000. The expected closing date is July 1, 2011. Up to date, the Corporation has received deposit of \$10,000.