Interim Report for the Fiscal Quarter
Ending June 30, 2011

Item 1 Exact Name of the Issuer and the Address of its Principal Executive Offices

Name
Winning Brands Corporation (from October 4, 2005)

Address of Principal Executive Offices
11 Victoria Street, Suite 220A
Barrie, Ontario, Canada L4N 6T3
(705) 737-4062 Tel
(705) 737-9793 Fax
www.WinningBrands.com
www.WinningColours.com
www.1000Plus.ca

Investor Relations
Corporate Office,
Address Above

Item 2 Shares Outstanding as at June 30, 2011

Common Shares

Period end date: June 30, 2011
Number of shares authorized: 5,000,000,000
Number of shares outstanding: 2,327,241,207
Freely tradable shares (public float): 2,164,519,852
Estimated number of beneficial shareholders: 4,032
Total number of shareholders of record: 305

Preferred Shares

Period end date: June 30, 2011
Number of shares authorized: 10,000,000
Number of shares outstanding: 10,000,000
Freely tradable shares (public float): nil
Beneficial shareholders: 4
Total number of shareholders of record: 2

Item 3 Interim Financial Statements

Attached at the end of this Quarterly Update are financial statements including Balance Sheet, Statement of Income and Expenses, Statement of Cash Flows, Statement of Changes in Stockholders' Equity (Deficiency) and Financial Notes. The notes contained therein form an integral part of the financial statements.

Item 4 Management Discussion and Analysis

i. ***Trends, events or uncertainties that have, or are reasonably likely to have, an unforeseen material impact on the Company's short-term or long-term liquidity.***

The Company's financing and operations are proceeding according to plan, however, clearance of the company's stock is affected by a negative trend in the OTC environment. Intermediaries that provide clearing services are increasingly unwilling to provide services to firms whose shares trade below 10 cents, and/or are unregistered and obtaining financing that is exempt from SEC registration. The Company has not been contacted directly by clearing authorities in respect of the status of its shares, however the Company expects to be fully impacted by this trend. This may diminish liquidity until the Company can register with the SEC. At that time, its clearance activity is likely to be unencumbered by this trend. The company has contemplated registering with the SEC as a fully reporting entity and planning for such registration has begun.

ii. ***Internal and external sources of liquidity.***

Internal and external sources of capital are the same as described in the financial statements, including the accompanying notes and the other information provided in this Management Discussion and Analysis. They are essentially unchanged from both the previous quarter and the corresponding quarter of 2010.

iii. ***Any material commitments for capital expenditures and the expected sources of funds for such expenditures.***

No material commitments for capital expenditures have been made that are outside of norms of the Company's routine operations.

iv. ***Any known trends, events or uncertainties that have had, or that are reasonably expected to have, a material impact on the net sales or revenues or income from continuing operations.***

Sales revenue (product delivered to customers) for the three months ending June 30, 2011 was $188,090. This is higher than the corresponding figure for Q2 2010 of $130,554. This reflects growing in-store sell through and increased attention on KIND Laundry Products as a follow-through offering to select independent retailers. Acceptance of the new 1000+ Stain Remover product name and label continues to be positive.

Deliveries to Walmart Canada distribution centres have resumed, following a one year pause. Relining the Paint Department section shelves is being carried out. It is expected that placement of 1000+ Stain Remover (909 mL) at Walmart Canada will be complete before the end of Q3. A new 4-bottle delivery pack configuration, rather than the previous 12-bottle case configuration, has been adopted for this purpose without incident. This change was designed to provide more rapid turns and efficient management of shelf space for this retailer.

Winning Brands continues to do business with America's 1st and 2nd largest home improvement retailers, The Home Depot and Lowe's.

At www.HomeDepot.com, Winning Colours Stain Remover remains solidly in the top 1/3 of the 189 products in its category, with a perfect delivery record. Placement here (online) is considered a test prior to placement in stores. Adoption of the 1000+ Stain Remover name at www.HomeDepot.com will take place Q3 2011. The change has already been made at The Home Depot in Canada, where 1000+ Stain Remover has moved into the retailer's stores across the country.

Lowe's in the U.S. is still conducting its test of Winning Colours 1000+ in three Ohio stores, also with a perfect supplier performance score in respect of deliveries. Adoption by test stores of the 1000+ Stain Remover name at Lowe's in USA will take place in Q3 2011. The change has already been made at Lowe's in Canada, where 1000+ Stain Remover has moved into the retailer's stores across the country.

The purpose of the test is to establish a basis for statistical extrapolation of the sales results across the chain. The average 1000+ Stain Remover sales figure per store applied to the total number of stores in the chain yields $3 Million of annual sales at the retail level for Lowe's. This extrapolation is based on analysis of inventory turns during 10 months of testing. The proportion of this revenue to be received by Winning Brands at the wholesale level, should such an expansion occur, is subject to negotiation. This sales figure is considered good performance and can be enhanced with marketing initiatives once a shared marketing platform exists for national cooperation.

The most recent status report of the launch of 1000+ Stain Remover with popular New York drug store chain, Duane Reade, a business unit of Walgreen's, America's largest drug store chain, calls for activation in August 2011. The customer has now paid for the initial inventory. This increases the likelihood that the (delayed) launch will occur soon.

The launch of 1000+ Stain Remover at Do-it-Best, Inc is proceeding ahead of schedule. 1000+ Stain Remover has been assigned SKU (Stock Keeping Unit) numbers and is expected to be in all 8 national distribution centres Q3 2011. An internal information campaign designed to achieve high awareness of 1000+ amongst all 4,000 member stores & generate initial orders has been approved by Do it Best.

Sam's Club, a division of Walmart USA, has provisionally approved 1000+ Stain Remover for a test in their Road Show program. A Winning Brands vendor number with Walmart USA, a pre-requisite for Sam's Club listing, was granted in Q2 as anticipated. Although the first Road Show test had been tentatively set for the end of August 2011, in Texas, a special opportunity has arisen for Winning Brands to participate instead in specific Road Show training in Texas in August 2011, as a precursor to the market test. Winning Brands has accepted this August 2011 invitation for training first, then testing, in order to improve the likelihood of a successful (subsequent) test. The first market test date is pending completion of the training.

Interest has remained positive in international markets, including Australia, New Zealand, South Africa, Ghana and Serbia. The Company's likelihood of sales to European Union markets has increased considerably with R&D progress in Q2 that will permit the Company's product(s) to be sold in those markets in compliance with European harmonized labelling requirements. This significantly increases the prospect of initial deliveries to those markets in early 2012. Product Ambassadors are already in place and waiting to facilitate business development in several major EU markets.

Operational Highlights Q2:

- Representation of 1000+ Stain Remover at Belgrade, Serbia Trade Congress
- Design breakthrough in custom counter displays reducing future per unit cost from $30 to $3
- First listing with Rona, Inc subsidiary, Totem Building Supplies
- Formation of in-store demonstration team, Ontario Unit
- Completion of formal GSA (General Services Administration) application for U.S. government sales
- 1000+ Stain Remover retained in initial product mix during Zellers acquisition by Target Stores
- Continued to supply and be paid by Lancaster during its restructuring
- Change in Frankfurt Exchange status not specific to WBC, but general rule change affecting over 1,000 companies
- Approval and listing by Deltasonic Car Wash group
- Arrival of first shipment to Ghana, Africa – testimonials from Ghana consumers begin
- Design and manufacturing new custom rolling floor display for "fit anywhere" flexibility
- Completion of jingle for 1000+ Stain Remover in anticipation of future deployment
- Australia's largest independent grocery distributor, Metcash, agrees to carry WC 1000+
- First production run of 1000+ US and Canadian label inventory is successful
- Long term successful tests by Whirlpool Jet Boat Tours lead to endorsement for use of 1000+
- Planning begins for further African market (Nigeria), by means of local tests to commence
- Walmart Canada formally confirms national launch of 1000+ Stain Remover in Q3 2011
- Do it Best, Inc commits to proceeding with listing in all warehouses, serving 4,000 members
- Launch of Facebook page for 1000+ Stain Remover
- R&D progress regarding EU harmonization, development of EU markets can be planned
- Walmart USA awards Vendor Number
- Provisional approval by Sam's Club for Road Show Test (date to be determined)

v. Significant elements of income and loss not arising from the Company's continuing operations

A key operating goal in Q2 2011 was to benefit from the transition of in-house manufacturing to contract manufacturing. This converts manufacturing costs from a fixed overhead basis to a variable cost basis, (so that production costs better correspond to production volume); and to gain access to labor and higher production capacity without the need to acquire additional production equipment.

Initial implementation was achieved in Q1 2011 and the benefits of the transition were starting to be felt in Q2. Cost control and quality assurance of goods made entirely by qualified third parties to the specification of Winning Brands has improved perceptibly, including on-package laser dating. Although quality standards were present previously, they are being met more consistently and efficiently now, to tighter specifications and with better internal audits as to production inputs/outputs.

There continue to be special non-recurring outlays related to this transition. Examples include disposition of chemicals that were previously held in the Company's own facilities in accordance with special environmental protocols, special handling of supplies through interim third-party storage and an increase in transportation costs to coordinate materials-in with materials-out in the new contract facilities. However, these special outlays declined in Q2 by nearly 50% to $23,535.

The Company continues to require working capital from the sale of shares of stock or loans to offset its operating deficit. These losses may continue throughout the remainder of this year, or longer. However, if SEC registration is successful, it will be possible to replace the exempt (unregistered) subscriptions under Regulation D, Rule 504 with conventional funding that is available to registered entities. Such financing may carry a lower (less expensive) risk discount and be suitable for a wider investor audience.

vi. Material changes from period to period in line items of the Financial Statements

The Comprehensive Loss in Q2 2011 of $338,832 represents a reduction from the Comprehensive Loss in the corresponding period of 2010 of $505,031. This is due to a $199,326 reduction in expenses incurred to $405,608 in 2011, down from $604,934 in 2010. Substantial savings were achieved in Advertising, Management & Staff Compensation, Vehicle & Travel, Professional Fees, Investor Relations and Facilities Costs.

The Company's financial statements now include a separate line item, "Freight, Courier & Postage", to show these outlays on their own, rather than being included in "Cost of Goods Sold", or rather than "Office Expenses" in the case of courier and postage. This reclassification has been carried through to comparative periods. It improves tracking of payments to 3rd parties for transporting any articles for the Company. With the anticipated growth of the Company, this category of expenditure will become increasingly important to manage well.

The Company maintains discussions with accredited investors, through whom suitable working capital arrangements continue. This permits the Company to operate as a going concern.

The company has increased its commercial Accounts Payable burden while decreasing its Long Term Debt burden. Specifically, the Q2 2011, reduction of long term debt relative to 2010 occurred in Inventory & Working Capital Loans from 2006, 2007, 2008 and Loans Payable – Brand Development.

The results for the Quarter ending June 30, 2011 demonstrate continued successful cost reductions. This contributes to a declining break-even point for the Company. In the opinion of Management, with current infrastructure, if debt were repaid or converted to equity, approximately $2,500,000 in sales revenue would be required for the company to achieve self-sufficiency. This figure is subject to change based on the cost of raw materials, public reporting compliance costs, freight costs and other variables. According to the Company's business model, $2.5 Million in revenue would require 5,000 stores to sell 9 bottles per month (2.3 bottles per week) of the Company's lead product, 1000+ Stain Remover (909 mL size).

In the opinion of Management, the listing of the Company's lead product by the 4,000 member Do it Best buying cooperative is the single-most practical development in the Company's history toward attaining, and surpassing, this goal. This is because a variety of comparable independent retail outlets have exceeded this monthly sales performance. For the first time, with Do it Best as a whole, Winning Brands has a partner with a sufficient "critical mass" of sales opportunity, managed through a single buying office. The fact that Do it Best member stores are independently owned means that distribution is not forced to all locations. Nonetheless, popular products are carried by most member stores.

vii. *Seasonal Aspects.*

No seasonal aspects had a material effect on the Company's financial condition or the results of its operation.

Off-Balance Sheet Arrangements

There are no material off-balance sheet arrangements that are not described in the notes to the financial statements.

Item 5 Legal Proceedings

The Company is not involved in any litigation or administrative actions that could have a material effect upon the Company's operations.

Item 6 Defaults upon Senior Securities

The Company is not in default upon any senior securities

Item 7 Other Information

There is no further information of a material nature pertinent to the Interim Report.

Item 8 Exhibits

There are no amendments to previous exhibits.

Item 9 Certifications

Following pages

I, Eric Lehner, CEO, certify that:

1. I have reviewed this Interim Report of Winning Brands Corporation for the Fiscal Quarter ending June 30, 2011;

2. Based on my knowledge, this interim report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statement, and other financial information included or incorporated by reference in this interim report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

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Eric Lehner
CEO
August 15, 2011

I, Michael Kostrich, CFO, certify that:

1. I have reviewed this Interim Report of Winning Brands Corporation for the Fiscal Quarter ending June 30, 2011;

2. Based on my knowledge, this interim report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statement, and other financial information included or incorporated by reference in this interim report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Michael Kostrich

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Michael Kostrich
CFO
August 15, 2011

Winning Brands Corporation

Combined Consolidated Financial Statements
(Unaudited)

for the Three Months and Six Months Ended

June 30, 2011

Winning Brands Corporation

Combined Consolidated Balance Sheet

(Unaudited)

as at June 30, 2011

(with comparative figures as at June 30, 2010)

	June 30, 2011	June 30, 2010
Assets		
Current:		
Cash	$ 13,273	$ 16,747
Accounts receivable	191,463	173,800
Inventories	258,751	301,942
Prepaids	64,634	71,212
	528,121	563,701
Subscriptions Receivable - Restricted Shares (Note 2)	246,670	224,287
Advances Receivable (Note 3)	201,076	182,830
Property, Plant & Equipment (Note 4)	42,914	42,350
Trade Secret Formulations & Trademarks (Note 5)	1	1
	$ 1,018,782	$ 1,013,169
Liabilities		
Current:		
Accounts Payable & Accruals	$ 816,119	$ 485,274
Loans Payable - Inventory & Working Capital - 2008 to present (Note 6)	747,565	863,308
Loans Payable - Working Capital - 2006 & 2007 (Note 7)	155,550	174,437
	1,719,234	1,523,019
Loans Payable - Brand Development (Note 8)	1,223,305	1,368,055
	2,942,539	2,891,074
Stockholders' Deficiency		
Preferred stock	10,000	10,000
Common stock	2,177,242	1,389,448
Additional paid-in capital	4,430,234	3,990,128
Accumulated deficit	(8,054,199)	(6,950,211)
Accumulated foreign currency translation adjustment	(487,034)	(317,270)
	(1,923,757)	(1,877,905)
	$ 1,018,782	$ 1,013,169

Winning Brands Corporation

Combined Consolidated Statement of Loss

(Unaudited)

Three Months & Six Months Ended June 30, 2011

(with comparative figures for Three Months & Six Months Ended June 30, 2010)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Sales	$ 188,090	$ 130,554	$ 292,203	$ 289,716
Cost of goods sold (Note 9)	110,110	111,426	145,475	135,714
Gross contribution	77,980	19,128	146,728	154,002
Operating expenses:				
Administration & bookkeeping	8,177	9,897	15,586	17,874
Advertising & promotion	96,017	253,140	150,990	370,124
Amortization of capital assets	2,313	2,760	4,649	4,670
Bank, credit card & exchange charges	3,848	4,224	7,825	8,706
Computer & internet	213	284	426	2,122
Disposal & relocation costs (Note 9)	23,535	-	75,248	-
Facility & handling costs	21,306	27,792	56,212	57,201
Freight, courier & postage	14,090	15,660	35,874	37,861
Financing costs, fees & interest (Note 10)	71,191	61,809	93,033	123,997
Insurance	4,845	3,570	9,411	6,566
Investor Relations & Services	3,756	17,004	6,988	36,652
Legal, accounting & professional fees	16,130	29,562	43,004	62,229
Management & staff compensation	127,463	145,506	267,531	278,995
Office expenses	2,141	7,743	6,918	19,232
Repairs & maintenance	119	2,232	494	18,108
Telecommunications	4,679	6,127	12,317	11,011
Vehicle & travel	5,785	17,624	18,652	29,912
	405,608	604,934	805,158	1,085,260
Net loss for the period	(327,628)	(585,806)	(658,430)	(931,258)
Foreign currency translation adjustment	(11,204)	80,775	(59,659)	23,016
Comprehensive loss for the period	$ (338,832)	$ (505,031)	$ (718,089)	$ (908,242)

Winning Brands Corporation

Combined Consolidated Statement of Changes in Stockholders' Deficiency

1st and 2nd Quarter Results - June 30, 2011

	Preference shares		Common shares					
	Number of shares	Share amount	Number of shares	Share Amount	Additional Paid - Up Capital	Accumulated Deficit	Accumulated Currency Translation	Stockholders' (Deficiency) / Equity
Opening Balance - January 1, 2011	10,000,000	$ 10,000	1,718,732,208	$ 1,565,482	$ 4,246,594	$ (7,347,169)	$ (427,375)	$ (1,952,468)
Reg D 504 funding	-	-	110,000,000	110,000	42,400	-	-	152,400
Debt retirement	-	-	204,758,999	204,760	129,240	-	-	334,000
Net loss - Q1 2011	-	-	-	-	-	(330,802)	-	(330,802)
Foreign currency translation adjustment	-	-	-	-	-	-	(48,455)	(48,455)
Closing Balances - March 31, 2011	10,000,000	$ 10,000	2,033,491,207	$ 1,880,242	$ 4,418,234	$ (7,677,971)	$ (475,830)	$ (1,845,325)
Reg D 504 funding	-	-	289,000,000	289,000	-	(48,600)	-	240,400
Debt retirement	-	-	8,000,000	8,000	12,000	-	-	20,000
Net loss - Q2 2011	-	-	-	-	-	(327,628)	-	(327,628)
Foreign currency translation adjustment	-	-	-	-	-	-	(11,204)	(11,204)
Closing Balances - June 30, 2011	10,000,000	$ 10,000	2,330,491,207	$ 2,177,242	$ 4,430,234	$ (8,054,199)	$ (487,034)	$ (1,923,757)

The number of common shares issued reflects the total of all three companies described in Note 1 b) of these combined consolidated financial statements.

Winning Brands Corporation

Combined Consolidated Statement of Changes in Stockholders' Deficiency

Comparative 1st and 2nd Quarter Results - June 30, 2010

	Preference shares		Common shares					
	Number of shares	Share amount	Number of shares	Share Amount	Additional Paid - Up Capital	Accumulated Deficit	Accumulated Currency Translation	Stockholders' (Deficiency) / Equity
Opening Balances - January 1, 2010	10,000,000	$ 10,000	1,359,032,353	$ 1,205,782	$ 3,278,311	$ (6,018,953)	$ (340,286)	$ (1,865,146)
Reg D 504 funding	-	-	86,320,000	86,320	413,680	-	-	500,000
Debt retirement	-	-	30,000,000	30,000	30,000	-	-	60,000
Shares issued for services	-	-	2,846,000	2,846	19,637	-	-	22,483
Net loss - Q1 2010	-	-	-	-	-	(345,452)	-	(345,452)
Foreign currency translation adjustment	-	-	-	-	-	-	(57,759)	(57,759)
Closing Balances - March 31, 2010	10,000,000	$ 10,000	1,478,198,353	$ 1,324,948	$ 3,741,628	$ (6,364,405)	$ (398,045)	$ (1,685,874)
Reg D 504 funding	-	-	34,500,000	34,500	180,500	-	-	215,000
Debt retirement	-	-	30,000,000	30,000	68,000	-	-	98,000
Net loss - Q2 2010	-	-	-	-	-	(585,806)	-	(585,806)
Foreign currency translation adjustment	-	-	-	-	-	-	80,775	80,775
Closing Balances - June 30, 2010	10,000,000	$ 10,000	1,542,698,353	$ 1,389,448	$ 3,990,128	$ (6,950,211)	$ (317,270)	$ (1,877,905)

The number of common shares issued reflects the total of all three companies described in Note 1 b) of these combined consolidated financial statements.

Winning Brands Corporation

Combined Consolidated Statement of Cash Flows

for the Six Months Ended June 30, 2011

(with comparative figures for the Six Months Ended June 30, 2011)

	Six months ended June 30, 2011	Six months ended June 30, 2010
Cash generated by (used for):		
Operations:		
Net loss	$ (658,430)	$ (931,258)
Add: Items not involving cash		
Amortization of capital assets	4,649	4,670
Changes in non-cash current balances:		
Increase in receivables	(56,343)	(62,843)
Increase in inventories	74,071	(78,304)
Increase in prepaids	8,645	(40,781)
Increase in accounts payable & accruals	61,316	(52,477)
	(566,092)	(1,160,993)
Investing:		
Acquisition of capital assets	(2,625)	(15,903)
Financing:		
Loan advances - Inventory & Working Capital - 2008 to present	(169,096)	436,627
Loan repayments - Working Capital - 2006 & 2007	5,685	(120,813)
Loan advances - Brand Development	75,705	(50,984)
Proceeds from share issuance - Regulation D 504 funding	392,800	715,000
Proceeds from share issuance - Debt retirement funding	354,000	158,000
Shares issued for services	-	22,483
	659,094	1,160,313
Increase in cash during the period	90,377	(16,583)
Effect of exchange rate changes on cash	(77,243)	29,149
Cash position, beginning of period	139	4,181
Cash position, end of period	$ 13,273	$ 16,747

1. Summary of Significant Accounting Policies

a) Nature of business

Winning Brands Corporation, a Delaware incorporated entity, is a non-reporting issuer quoted under the symbol WNBD in the U.S. and WMU in Frankfurt.

Winning Brands Corporation owns 100% of the capital stock of Niagara Mist Marketing Ltd (NMML) which has been in business since 1977. NMML's primary activities include the creation and manufacturing of household and commercial cleaning products as well as cosmetic and personal care formulations.

b) Basis of presentation

The combined consolidated financial statements include the accounts of the company and its wholly-owned subsidiary and XMG Corporation (a related company). All significant inter-company accounts and transactions have been eliminated in order to reflect the net offset of combined operations accurately.

c) Foreign Currency Translation

The combined consolidated financial statements are presented in United States Dollars as follows:

- Balance sheet items using the Bank of Canada exchange rate as at the various period end dates.
- Income statement items using the Bank of Canada average exchange rate for the various periods described.
- Stockholders' share activity at the historical rate in effect on the transaction date.
- Adjustments resulting from the process of translating the Canadian currency financial statements into U.S. dollars are identified as such in the statements of loss and stockholders' deficiency.

d) Use of Estimates and Assumptions

The preparation of the accompanying combined consolidated financial statements requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

e) Going Concern

These combined consolidated financial statements have been prepared assuming that the company will continue as a going concern which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business. Additional financing is needed for the successful completion of the company's contemplated plan of operations and its transition, ultimately, to the attainment of profitable operations. The company's ability to raise additional equity or debt financing is unknown. An inability to resolve these factors would raise substantial doubts about the company's ability to continue as a going concern. These financial statements do not include any adjustments that may result from the outcome of the aforementioned uncertainties.

f) Inventories

Inventories consist of finished product for resale as well as raw materials and packaging components held at the company's premises' and contract warehousing facilities. Finished product is valued at cost including materials, labour and overhead.

g) Property, Plant & Equipment

Property, plant & equipment assets are stated at cost and are amortized at the annual rates noted below. Additions are amortized at one half the annual rates.

Category	Rate	Method
Factory equipment & dies	4%	Declining balance
Computers	30 to 100%	Declining balance
Vehicles	30%	Declining balance
Leaseholds	5 yr	Straight line
Furniture & fixtures	20%	Declining balance
Signs	20%	Declining balance

h) Revenue Recognition

Revenue is recognized as product is shipped. Goods are not normally shipped on a consignment basis and under no circumstances are treated as sales until they actually occur.

i) Financial Instruments & Risk Management

Foreign currency risk

The company is exposed to currency risk as some of its accounts receivable and accounts payable are denominated in U.S. dollars, Canadian dollars and other foreign currencies. The company also earns revenue & makes expenditures in these currencies. Unfavourable changes in the applicable exchange rate may result in a decrease in any foreign exchange gain or an increase in any foreign exchange loss.

Credit risk

Credit risk arises from the possibility that entities to which the company sells may experience financial difficulty and be unable to fulfil their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtors' payment history.

Fair value

The fair value of the company's financial instruments is estimated based on the amount at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The fair value of accounts receivable, inventory, prepaid expenses, accounts payable and accrued expenses are assumed to approximate their historical cost amount due to their short term nature.

The fair value of the company's long-term financial assets is estimated to approximate the recorded amounts, other than the fair market value of Trade Secret Formulations & Trademarks as referred to in Note 5.

The fair value of the company's long-term financial liabilities is estimated to approximate the recorded amounts.

2. Subscriptions Receivable - Restricted Shares

Subscriptions receivable is an attribution to members of the founding management group of the value of their proportionate interest in Niagara Mist Marketing Limited in 2004 prior to the plan of merger and reorganization with Winning Brands Corporation. These interests were converted from free trading shares of Niagara Mist Marketing Limited to restricted shares of Winning Brands Corporation, and remain restricted as at June 30, 2011. These amounts are non-interest bearing nor payable until the removal of the trading restriction on these shares, at which time the receivable may be retired according to a repayment plan to be determined at that time.

3. Advances receivable

Pending final determination of compensation to be granted for services rendered by the CEO, Eric Lehner, from 2005 to the date of determination, advances have been made on account to him. Preliminary annual compensation to the CEO has been made as follows: 2005 - $10,000; 2006 - $12,000; 2007 - $74,000; 2008 - $74,000; 2009 - $120,000; 2010 - $98,000. Any payments greater than the preliminary compensation amounts have been treated as advances.

It is the intention that the company will in due course provide compensation to the CEO that is more customary of his level of responsibility, as determined by a competent unaffiliated authority. At such time the advances may be converted to earned compensation.

In the interim, and in good faith toward the company and its shareholders, the CEO has provided partial security for the advances in the form of an assignment of a $100,000 interest in real property that is registered on title in the town of Caledon, Ontario. The net effect of this arrangement is to link compensation to performance.

4. Property, Plant & Equipment

Property, plant & equipment represent the acquisition cost of physical assets used for production and operations. Annual amortization has been applied based on the rates as describe in Note 1 g). Other assets utilized are either leased or subcontracted as required. Susbequent to December 31, 2010, the disposition of certain assets occurred. This reflects the shift of manufacturing from owned to contract production.

	June 30, 2011	June 30, 2010
Factory equipment & dies	$ 176,545	$ 152,586
Computers	39,343	37,406
Vehicles	33,916	30,838
Leaseholds	29,132	26,489
Furniture & Fixtures	13,157	11,964
Signs	1,381	1,256
	293,474	260,539
Accumulated amortization	250,560	218,189
	$ 42,914	$ 42,350

5. Trade Secret Formulations & Trademarks

The company's wholly owned subsidiary, Niagara Mist Marketing Limited, has developed a portfolio of intellectual proprieties including proprietary chemical formulations, know-how and trademarks which provide the basis for commercially distinct mass market consumer products with unique selling propositions. These products, principally the lead product, Winning Colours 1000+ Stain Remover, have gained listings by retailers.

No fair market valuation is reflected in these financial statements of these intellectual properties (whose substance is growing through ongoing work and additions) and all investment in their research and development and registration, where applicable, has been expensed rather than capitalized. It is the opinion of management that the fair market valuation of these assets are an integral part of the company's overall value and can be better determined as the implementation of the issuer's business plan yields results. Such valuation would be carried out by competent independent valuation professionals.

6. Loans Payable - Inventory & Working Capital - 2008 to present

These 6%, 8%, and 13% simple interest loans are due in 2010 and 2011. The 6% and 8% notes loans can be extended at 12% interest thereafter or converted to equity at a 25% - 40% discount to market. Some holders of matured loans have chosen to extend their term beyond maturity rather than converting to equity at this time, subject to market conditions.

7. Loans Payable - Working Capital - 2006 & 2007

These loans were made by unaffiliated parties for working capital purposes. One of these amounts, a $360,000 Canadian original obligation was secured by a GSA (General Security Agreement). As of June 30, 2011 there is no remaining amount outstanding on the principal amount of that obligation, although a forbearance fee is being negotiated in consideration for having provided informal extensions during the life of the loan prior to its repayment.

8. Loans Payable - Brand Development

These loans represent funding for the initial period of the company's brand development work, prior to the 2006 access to public equity financing. The loans are repayable by a variety of specific terms of repayment, all of which are long term in nature and open (i.e. can be repaid in full without penalty as resources permit). A portion of the loans payable pertains to contingent subscriptions prior to the merger, which must be returned due to non-completion.

9. Cost of goods sold / Disposal & relocation costs

The cost of goods sold figure reflects the costs of raw materials, packaging components (which include bottles, caps, labels, corrugated cartons, and pallets), freight in and out, and subcontract service fees.

In the first and second quarters of 2011 various disposal and relocation costs were incurred by the company as a result of moving to contract manufacturing on a full time basis. These unique charges have been separated from the cost of goods sold for financial statement purposes.

10. Reduction of accrued interest

Of the "Loans Payable - Brand Development" amount reflected in Note 8, $327,773 of accrued interest has been forgiven by one of the founding lenders This reduction of accrued interest was charged to the combined consolidated statement of loss in the fourth quarter of 2010 as this was the period in which the forgiveness was granted.

This accrual is no longer required as the lender is now satisfied that eligibility for eventual removal of the trading restriction on their original allocation of common shares is sufficient consideration for their loan to date. Participation in future stock options or warrants, at the sole discretion of the company, may be provided as consideration of this forgiveness.

11. Comparative figures

Certain comparative figures have been reclassified to confirm with the financial statement presentation for the current year.