

## Management's Statement of Responsibility for Financial Reporting

The management of George Weston Limited is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with Canadian generally accepted accounting principles. It also includes ensuring that the financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced, management is required to design a system of internal controls and certify as to the design effectiveness of internal controls over financial reporting. Internal auditors, who are employees of the Company, review and evaluate internal controls on management's behalf. KPMG LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are independent of the Company, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with senior and financial management, internal auditors and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the Annual Report based on the review and recommendation of the Audit Committee.



**W. Galen Weston**  
Chairman and President

Toronto, Canada  
March 15, 2007



**Richard P. Mavrinc**  
Chief Financial Officer

## Independent Auditors' Report

### To the Shareholders of George Weston Limited:

We have audited the consolidated balance sheets of George Weston Limited as at December 31, 2006 and 2005 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style and is underlined with a single horizontal stroke.

Toronto, Canada  
March 15, 2007

## Consolidated Statements of Earnings

For the years ended December 31

(\$ millions except where otherwise indicated)

	2006	2005
<b>Sales</b> (note 2)	<b>\$ 32,167</b>	\$ 31,189
Operating Expenses		
Cost of sales, selling and administrative expenses (note 2)	30,035	28,713
Depreciation and amortization	705	684
Goodwill impairment (note 3)	800	
Restructuring and other charges (note 4)	90	118
Goods and Services Tax and provincial sales taxes (note 5)		40
	<b>31,630</b>	29,555
<b>Operating Income</b>	<b>537</b>	1,634
Interest Expense and Other Financing Charges (note 7)	253	187
<b>Earnings from Continuing Operations Before the Following:</b>	<b>284</b>	1,447
Income Taxes (note 9)	256	443
	<b>28</b>	1,004
Minority Interest	(82)	288
<b>Net Earnings from Continuing Operations</b>	<b>110</b>	716
Discontinued Operations (note 11)	11	(18)
<b>Net Earnings</b>	<b>\$ 121</b>	\$ 698
<b>Net Earnings (Loss) per Common Share – Basic and Diluted (\$)</b>		
Continuing Operations (note 10)	<b>\$ 0.43</b>	\$ 5.25
Discontinued Operations	<b>\$ 0.09</b>	\$ (0.14)
Net Earnings	<b>\$ 0.52</b>	\$ 5.11

See accompanying notes to the consolidated financial statements.

## Consolidated Statements of Retained Earnings

For the years ended December 31

(\$ millions except where otherwise indicated)

	2006	2005
<b>Retained Earnings, Beginning of Year</b>	<b>\$ 4,625</b>	\$ 4,152
Net earnings	121	698
Dividends declared		
Per common share – \$1.44 (2005 – \$1.44)	(186)	(186)
Per preferred share – Series I – \$1.45 (2005 – \$1.45)	(13)	(13)
– Series II – \$1.29 (2005 – \$1.29)	(14)	(14)
– Series III – \$1.30 (2005 – \$0.92)	(10)	(7)
– Series IV – \$1.30 (2005 – \$0.54)	(10)	(5)
– Series V – \$0.83	(7)	
<b>Retained Earnings, End of Year</b>	<b>\$ 4,506</b>	\$ 4,625

See accompanying notes to the consolidated financial statements.

## Consolidated Balance Sheets

As at December 31  
(\$ millions)

	2006	2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 12)	\$ 1,219	\$ 1,540
Short term investments (note 12)	610	50
Accounts receivable (note 13)	1,007	933
Inventories (note 14)	2,187	2,173
Income taxes	80	5
Future income taxes (note 9)	151	134
Prepaid expenses and other assets	59	53
<b>Total Current Assets</b>	<b>5,313</b>	4,888
Fixed Assets (note 15)	9,219	8,916
Goodwill and Intangible Assets (note 3)	2,536	3,367
Future Income Taxes (note 9)	68	89
Other Assets (note 16)	1,459	1,321
Long Term Assets of Discontinued Operations (note 11)		12
<b>Total Assets</b>	<b>\$ 18,595</b>	\$ 18,593
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 99	\$ 113
Commercial paper	838	498
Accounts payable and accrued liabilities	3,196	3,263
Short term bank loans (note 18)	178	138
Long term debt due within one year (note 18)	27	361
Current liabilities of discontinued operations (note 11)	4	10
<b>Total Current Liabilities</b>	<b>4,342</b>	4,383
Long Term Debt (note 18)	5,918	5,913
Future Income Taxes (note 9)	366	343
Other Liabilities (note 19)	668	580
Minority Interest	2,088	2,255
<b>Total Liabilities</b>	<b>13,382</b>	13,474
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (notes 20 & 21)	1,210	1,012
Retained Earnings	4,506	4,625
Cumulative Foreign Currency Translation Adjustment (note 23)	(503)	(518)
<b>Total Shareholders' Equity</b>	<b>5,213</b>	5,119
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 18,595</b>	\$ 18,593

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board



**W. Galen Weston**  
Director



**A. Charles Baillie**  
Director

## Consolidated Cash Flow Statements

For the years ended December 31  
(\$ millions)

	2006	2005
<b>Operating Activities</b>		
Net earnings from continuing operations before minority interest	\$ 28	\$ 1,004
Depreciation and amortization	705	684
Goodwill impairment (note 3)	800	
Restructuring and other charges (note 4)	90	118
Goods and Services Tax and provincial sales taxes (note 5)		40
Future income taxes	11	152
Fair value adjustment of Weston's forward sale agreement (note 7)	(73)	(150)
Change in non-cash working capital	(135)	(51)
Other	26	15
<b>Cash Flows from Operating Activities of Continuing Operations</b>	<b>1,452</b>	<b>1,812</b>
<b>Investing Activities</b>		
Fixed asset purchases	(1,121)	(1,358)
Short term investments	(555)	338
Proceeds on termination of financial derivatives (note 22)		5
Proceeds from fixed asset sales	116	170
Credit card receivables, after securitization (note 13)	(82)	(84)
Franchise investments and other receivables	(26)	(63)
Other	(47)	(100)
<b>Cash Flows used in Investing Activities of Continuing Operations</b>	<b>(1,715)</b>	<b>(1,092)</b>
<b>Financing Activities</b>		
Bank indebtedness	(15)	(30)
Commercial paper	340	(342)
Short term bank loans (note 18) – Issued	40	36
Long term debt (note 18) – Issued	29	333
– Retired	(362)	(246)
Share capital – Issued (notes 20 & 21)	196	394
Subsidiary share capital – Issued (note 21)	4	1
– Retired (note 8)		(16)
Dividends – To common shareholders	(186)	(186)
– To preferred shareholders	(52)	(34)
– To minority shareholders	(66)	(88)
Other	2	2
<b>Cash Flows used in Financing Activities of Continuing Operations</b>	<b>(70)</b>	<b>(176)</b>
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents (note 12)	1	(54)
Initial impact of Variable Interest Entities (note 2)		20
Cash Flows (used in) from Continuing Operations	(332)	510
Cash Flows from Discontinued Operations (note 11)	11	22
Change in Cash and Cash Equivalents	(321)	532
Cash and Cash Equivalents, Beginning of Year	1,540	1,008
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,219</b>	<b>\$ 1,540</b>

See accompanying notes to the consolidated financial statements.