

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.

[signed]

W. Galen Weston

Chairman and President

Toronto, Canada

March 12, 2008

[signed]

Robert G. Vaux

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, 2007 and 2006 and the consolidated statements of earnings, changes in shareholders' equity and comprehensive income and the consolidated cash flow statements 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada
March 12, 2008

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Consolidated Statements of Earnings

For the years ended December 31

(\$ millions except where otherwise indicated)

	2007	2006
Sales	\$ 32,815	\$ 32,167
Operating Expenses		
Cost of sales, selling and administrative expenses (note 2)	30,790	30,035
Depreciation and amortization	704	705
Goodwill impairment (note 3)		800
Restructuring and other charges (note 4)	227	90
	31,721	31,630
Operating Income	1,094	537
Interest Expense and Other Financing Charges (note 6)	165	253
Earnings from Continuing Operations Before the Following:	929	284
Income Taxes (note 8)	236	256
	693	28
Minority Interest	130	(82)
Net Earnings from Continuing Operations	563	110
Discontinued Operations (note 10)		11
Net Earnings	\$ 563	\$ 121
Net Earnings per Common Share – Basic and Diluted (\$)		
Continuing Operations (note 9)	\$ 3.92	\$ 0.43
Discontinued Operations		\$ 0.09
Net Earnings	\$ 3.92	\$ 0.52

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31
(\$ millions except where otherwise indicated)

	2007	2006
Preferred Shares, Beginning of Year	\$ 1,077	\$ 881
Issued		196
Preferred Shares, End of Year	\$ 1,077	\$ 1,077
Common Shares, Beginning of Year	\$ 133	\$ 131
Issued		2
Common Shares, End of Year	\$ 133	\$ 133
Total Share Capital, End of Year (note 21)	\$ 1,210	\$ 1,210
Retained Earnings, Beginning of Year	\$ 4,506	\$ 4,625
Cumulative impact of implementing new accounting standards (note 2)	(100)	
Net earnings	563	121
Dividends declared		
Per common share (\$) – \$1.44 (2006 – \$1.44)	(186)	(186)
Per preferred share (\$) – Series I – \$1.45 (2006 – \$1.45)	(13)	(13)
– Series II – \$1.29 (2006 – \$1.29)	(14)	(14)
– Series III – \$1.30 (2006 – \$1.30)	(10)	(10)
– Series IV – \$1.30 (2006 – \$1.30)	(10)	(10)
– Series V – \$1.19 (2006 – \$0.83)	(10)	(7)
Retained Earnings, End of Year	\$ 4,726	\$ 4,506
Accumulated Other Comprehensive Loss, Beginning of Year (note 2)	\$ (503)	\$ (518)
Cumulative impact of implementing new accounting standards (note 2)	9	
Other comprehensive (loss) income	(505)	15
Accumulated Other Comprehensive Loss, End of Year (note 22)	\$ (999)	\$ (503)
Total Shareholders' Equity	\$ 4,937	\$ 5,213

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31
(\$ millions)

	2007	2006
Net earnings	\$ 563	\$ 121
Other comprehensive (loss) income		
Foreign currency translation adjustment	(508)	15
Net unrealized loss on available-for-sale financial assets	(35)	
Reclassification of loss on available-for-sale financial assets to net earnings	20	
	(15)	
Net gain on derivative instruments designated as cash flow hedges	36	
Reclassification of gain on derivative instruments designated as cash flow hedges to net earnings	(18)	
	18	
Other comprehensive (loss) income	(505)	15
Total Comprehensive Income	\$ 58	\$ 136

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at December 31
(\$ millions)

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (note 11)	\$ 1,353	\$ 1,219
Short term investments	603	610
Accounts receivable (note 12)	1,141	1,007
Inventories (note 13)	2,172	2,187
Income taxes	91	80
Future income taxes (note 8)	121	151
Prepaid expenses and other assets	49	59
Total Current Assets	5,530	5,313
Fixed Assets (note 14)	8,960	9,219
Goodwill and Intangible Assets (note 3)	2,240	2,536
Future Income Taxes (note 8)	91	68
Other Assets (note 15)	1,567	1,459
Total Assets	\$ 18,388	\$ 18,595
LIABILITIES		
Current Liabilities		
Bank indebtedness	\$ 85	\$ 99
Commercial paper	609	838
Accounts payable and accrued liabilities	3,322	3,176
Short term bank loans (notes 17 & 18)	250	178
Long term debt due within one year (note 18)	432	27
Current liabilities of discontinued operations (note 10)	3	4
Total Current Liabilities	4,701	4,322
Long Term Debt (note 18)	5,494	5,918
Future Income Taxes (note 8)	293	366
Other Liabilities (note 19)	831	688
Minority Interest	2,132	2,088
Total Liabilities	13,451	13,382
SHAREHOLDERS' EQUITY		
Share Capital (notes 21 & 23)	1,210	1,210
Retained Earnings	4,726	4,506
Accumulated Other Comprehensive Loss (note 22)	(999)	(503)
Total Shareholders' Equity	4,937	5,213
Total Liabilities and Shareholders' Equity	\$ 18,388	\$ 18,595

Contingencies, commitments and guarantees (note 25). Leases (note 20).

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

[signed]

W. Galen Weston
Director

[signed]

A. Charles Baillie
Director

Consolidated Cash Flow Statements

For the years ended December 31
(\$ millions)

	2007	2006
Operating Activities		
Net earnings from continuing operations before minority interest	\$ 693	\$ 28
Depreciation and amortization	704	705
Goodwill impairment (note 3)		800
Restructuring and other charges (note 4)	227	90
Future income taxes	23	11
Fair value adjustment of Weston's forward sale agreement (note 6)	(141)	(73)
Change in non-cash working capital	9	(135)
Other	158	26
Cash Flows from Operating Activities of Continuing Operations	1,673	1,452
Investing Activities		
Fixed asset purchases	(722)	(1,121)
Short term investments	(99)	(555)
Proceeds from fixed asset sales	244	116
Credit card receivables, after securitization (note 12)	(238)	(82)
Franchise investments and other receivables	14	(26)
Other	(31)	(47)
Cash Flows used in Investing Activities of Continuing Operations	(832)	(1,715)
Financing Activities		
Bank indebtedness	(8)	(15)
Commercial paper	(229)	340
Short term bank loans (notes 17 & 18) – Issued	72	40
Long term debt (note 18) – Issued	25	29
– Retired	(39)	(362)
Share capital – Issued (notes 21 & 23)		196
Subsidiary share capital – Issued (note 23)		4
Dividends – To common shareholders	(186)	(186)
– To preferred shareholders	(57)	(52)
– To minority shareholders	(88)	(66)
Other	(1)	2
Cash Flows used in Financing Activities of Continuing Operations	(511)	(70)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents (note 11)	(195)	1
Cash Flows from (used in) Continuing Operations	135	(332)
Cash Flows (used in) from Discontinued Operations (note 10)	(1)	11
Change in Cash and Cash Equivalents	134	(321)
Cash and Cash Equivalents, Beginning of Year	1,219	1,540
Cash and Cash Equivalents, End of Year (note 11)	\$ 1,353	\$ 1,219

See accompanying notes to the consolidated financial statements.