

## 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 and maintain a system of internal controls and certify as to the design and operating 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, 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 23, 2009

*[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, 2008 and 2007 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, 2008 and 2007 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 23, 2009

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)

	2008	2007
<b>Sales</b>	<b>\$ 32,088</b>	\$ 30,607
<b>Operating Expenses</b>		
Cost of sales, selling and administrative expenses (notes 2 & 14)	30,248	28,867
Depreciation and amortization	643	650
Restructuring and other charges (note 4)	5	215
	<b>30,896</b>	29,732
<b>Operating Income</b>	<b>1,192</b>	875
Gain on disposal of business (note 7)	335	
	<b>1,527</b>	875
Interest Expense and Other Financing Charges (note 5)	360	175
<b>Earnings from Continuing Operations Before the Following:</b>	<b>1,167</b>	700
Income Taxes (note 8)	303	196
	<b>864</b>	504
Minority Interest	219	130
<b>Net Earnings from Continuing Operations</b>	<b>645</b>	374
<b>Discontinued Operations</b> (note 10)	<b>187</b>	189
<b>Net Earnings</b>	<b>\$ 832</b>	\$ 563
<b>Net Earnings per Common Share – Basic and Diluted</b> (\$)		
Continuing Operations (note 9)	<b>\$ 4.63</b>	\$ 2.46
Discontinued Operations	<b>\$ 1.45</b>	\$ 1.46
Net Earnings	<b>\$ 6.08</b>	\$ 3.92

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)

	2008	2007
<b>Share Capital</b>		
Preferred Shares	\$ 817	\$ 817
Common Shares	133	133
<b>Total Share Capital, Beginning and End of Year</b> (note 23)	<b>\$ 950</b>	<b>\$ 950</b>
<b>Retained Earnings, Beginning of Year</b>	<b>\$ 4,726</b>	<b>\$ 4,506</b>
Cumulative impact of implementing new accounting standards (note 2)	(27)	(100)
Net earnings	832	563
Dividends declared		
Per common share (\$) – \$1.44 (2007 – \$1.44)	(186)	(186)
Per preferred share (\$) – Series I – \$1.45 (2007 – \$1.45)	(13)	(13)
– Series II – \$1.29 (2007 – \$1.29) (note 22)	(3)	(14)
– Series III – \$1.30 (2007 – \$1.30)	(10)	(10)
– Series IV – \$1.30 (2007 – \$1.30)	(10)	(10)
– Series V – \$1.19 (2007 – \$1.19)	(10)	(10)
<b>Retained Earnings, End of Year</b>	<b>\$ 5,299</b>	<b>\$ 4,726</b>
<b>Accumulated Other Comprehensive Loss, Beginning of Year</b> (note 2)	<b>\$ (999)</b>	<b>\$ (503)</b>
Cumulative impact of implementing new accounting standards (note 2)		9
Other comprehensive income (loss)	677	(505)
<b>Accumulated Other Comprehensive Loss, End of Year</b> (note 26)	<b>\$ (322)</b>	<b>\$ (999)</b>
<b>Total Shareholders' Equity</b>	<b>\$ 5,927</b>	<b>\$ 4,677</b>

See accompanying notes to the consolidated financial statements.

## Consolidated Statements of Comprehensive Income

For the years ended December 31  
(\$ millions)

	2008	2007
Net earnings	\$ 832	\$ 563
Other comprehensive income (loss), net of income taxes and minority interest		
Foreign currency translation adjustment	677	(508)
Net unrealized gain (loss) on available-for-sale financial assets	25	(35)
Reclassification of (gain) loss on available-for-sale financial assets to net earnings	(13)	20
	12	(15)
Net gain on derivatives designated as cash flow hedges	4	36
Reclassification of gain on derivatives designated as cash flow hedges to net earnings	(16)	(18)
	(12)	18
Other comprehensive income (loss)	677	(505)
<b>Total Comprehensive Income</b>	<b>\$ 1,509</b>	<b>\$ 58</b>

See accompanying notes to the consolidated financial statements.

## Consolidated Balance Sheets

As at December 31  
(\$ millions)

	2008	2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 11)	\$ 1,465	\$ 1,076
Short term investments	694	461
Accounts receivable (notes 12 & 13)	958	985
Inventories (note 14)	2,307	2,145
Income taxes	40	133
Future income taxes (note 8)	69	76
Prepaid expenses and other assets	75	40
Current assets of operations held for sale (note 10)	2,588	238
<b>Total Current Assets</b>	<b>8,196</b>	5,154
Fixed Assets (note 15)	8,542	8,453
Goodwill and Intangible Assets (note 3)	1,134	1,128
Future Income Taxes (note 8)	36	
Other Assets (note 16)	1,756	1,819
Long Term Assets of Operations Held for Sale (note 10)		1,880
<b>Total Assets</b>	<b>\$ 19,664</b>	\$ 18,434
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 112	\$ 60
Commercial paper		609
Accounts payable and accrued liabilities	3,121	3,184
Income taxes	78	
Future income taxes (note 8)		1
Short term bank loans (notes 18 & 19)	453	250
Long term debt due within one year (note 19)	415	432
Capital securities (note 22)	264	
Current liabilities of operations held for sale (note 10)	620	348
<b>Total Current Liabilities</b>	<b>5,063</b>	4,884
Long Term Debt (note 19)	5,308	5,494
Future Income Taxes (note 8)	288	296
Other Liabilities (note 20)	615	525
Capital Securities (note 22)	219	260
Minority Interest	2,244	2,132
Long Term Liabilities of Operations Held for Sale (note 10)		166
<b>Total Liabilities</b>	<b>13,737</b>	13,757
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (notes 23 & 25)	950	950
Retained Earnings	5,299	4,726
Accumulated Other Comprehensive Loss (note 26)	(322)	(999)
<b>Total Shareholders' Equity</b>	<b>5,927</b>	4,677
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 19,664</b>	\$ 18,434

Contingencies, commitments and guarantees (note 30). Leases (note 21). Subsequent events (note 33).

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)

	2008	2007
<b>Operating Activities</b>		
Net earnings from continuing operations before minority interest	\$ 864	\$ 504
Gain on disposal of business (note 7)	(335)	
Depreciation and amortization	643	650
Restructuring and other charges (note 4)	5	215
Future income taxes	(14)	(3)
Fair value adjustment of GWL's forward sale agreement (note 5)	11	(141)
Change in non-cash working capital	(181)	109
Other	(8)	34
<b>Cash Flows from Operating Activities of Continuing Operations</b>	<b>985</b>	<b>1,368</b>
<b>Investing Activities</b>		
Fixed asset purchases	(807)	(658)
Short term investments	(114)	(220)
Proceeds from fixed asset sales	125	237
Business acquisition (note 6)	(10)	
Proceeds from business disposition (note 7)	467	
Domtar investment (note 16)	144	
Credit card receivables, after securitization (note 12)	82	(238)
Franchise investments and other receivables	(37)	14
Other	(75)	(101)
<b>Cash Flows used in Investing Activities of Continuing Operations</b>	<b>(225)</b>	<b>(966)</b>
<b>Financing Activities</b>		
Bank indebtedness	53	(8)
Commercial paper	(609)	(229)
Short term bank loans (notes 18 & 19)	203	72
Long term debt (note 19) – Issued	301	25
– Retired	(561)	(39)
Capital securities (note 22) – Issued	218	
Dividends – To common shareholders	(232)	(186)
– To preferred shareholders	(55)	(57)
– To minority shareholders	(110)	(88)
Other		(1)
<b>Cash Flows used in Financing Activities of Continuing Operations</b>	<b>(792)</b>	<b>(511)</b>
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents (note 11)	233	(152)
Cash Flows from (used in) Continuing Operations	201	(261)
Cash Flows from Discontinued Operations (note 10)	188	247
Change in Cash and Cash Equivalents	389	(14)
Cash and Cash Equivalents, Beginning of Year	1,076	1,090
<b>Cash and Cash Equivalents, End of Year</b> (note 11)	<b>\$ 1,465</b>	<b>\$ 1,076</b>

See accompanying notes to the consolidated financial statements.