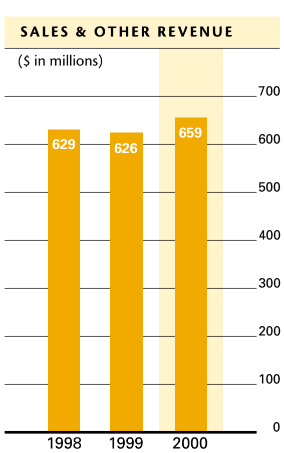
NORTH WEST COMPANY FUND

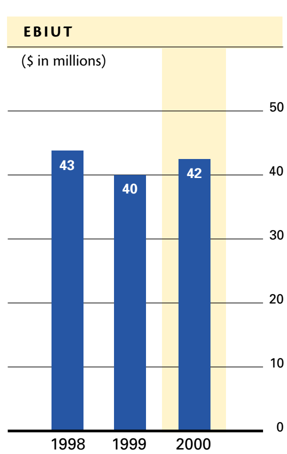
2000 ANNUAL REPORT

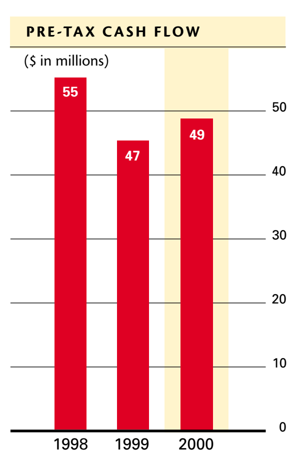
2000 financial highlights

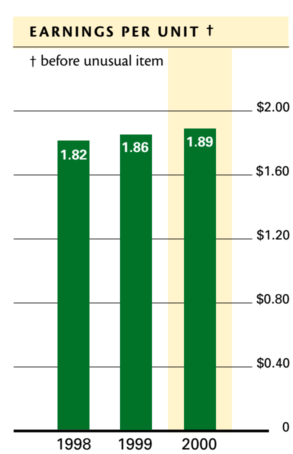
Fiscal Year (in thousands of Canadian dollars)	**2000** 52 weeks	**1999** 52 weeks	**1998** 52 weeks
RESULTS FOR THE YEAR			
Sales and other revenue	$659,032	$626,469	$629,118
Earnings before interest, unusual item, and income taxes (EBIUT)	42,331	39,809	42,831
Earnings	28,134	27,957	16,145
Pre-tax cash flow	48,844	46,747	54,731
FINANCIAL POSITION			
Total assets	$415,965	$387,537	$387,411
Total debt	175,792	171,475	173,973
Total equity	190,973	169,905	164,117
PER UNIT ($)			
Earnings for the year before unusual item	$ 1.89	$ 1.86	$ 1.82
Earnings for the year	1.89	1.86	1.08
Pre-tax cash flow	3.28	3.12	3.65
Cash distributions paid during the year	1.44	1.44	1.00
Equity	13.00	11.33	10.94
Market price – January 31	13.00	12.00	15.50
– high	13.00	15.95	16.65
– low	9.80	11.25	11.55
FINANCIAL RATIOS			
Debt to equity	0.92:1	1.01:1	1.06:1
Return on net assets*	11.5%	11.6%	12.1%
Return on average equity before unusual item	15.2%	16.8%	17.6%

*Earnings before interest, unusual item and income taxes as a percent of average net assets employed.









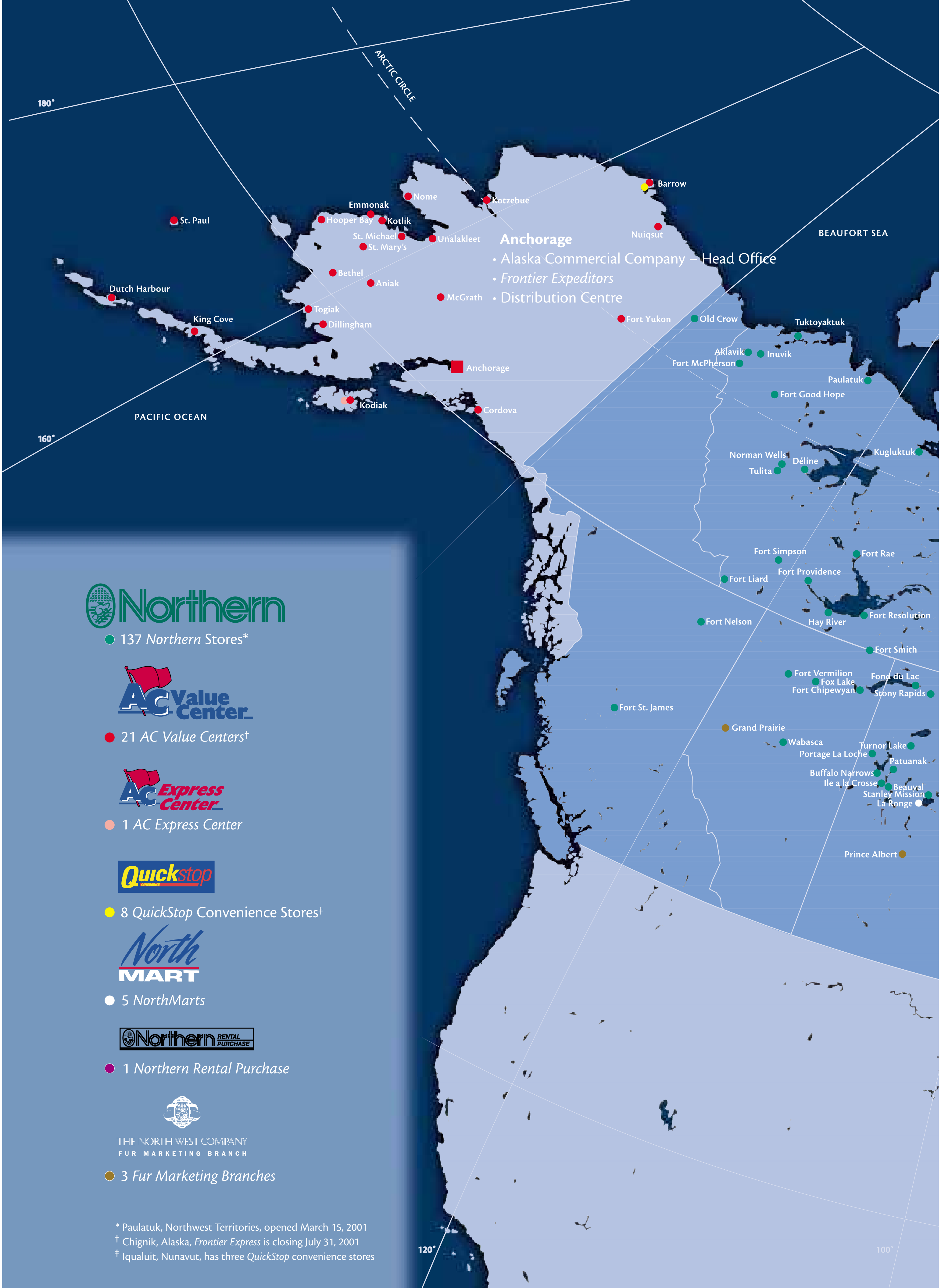
NORTH WEST COMPANY FUND

across the north around the clock

CAPE DORSET 13:25

08:47 HAPPY VALLEY

12:00 13:00 14:00 15:00 16:00 17:00 18:00 19:00 20:00 21:00 22:00 23:00 24:00



* Paulatuk, Northwest Territories, opened March 15, 2001
† Chignik, Alaska, *Frontier Express* is closing July 31, 2001
‡ Iqualuit, Nunavut, has three *QuickStop* convenience stores

across the north
around the clock

At The North West Company, we're open for business around the clock. We span the entire breadth of North America – across seven time zones, 8,000 kilometres (5,000 miles) and two countries. This snapshot depicts a typical "day-in-the-life" of our operations, photographed in the third week of 2001.

No one else covers the North like we do!

Winnipeg
- Gibraltar House – Corporate Head Office
- Retail Service Centre
- Northcan Distributors
- Odd Lots Discount Centre
- Motorized Division
- *Selections* Catalogue Operations
- Crescent Multi Foods

Toronto
Inuit Art Marketing Service

open for business around the clock

08:48
POPLAR HILL

Northern store manager Bonnie Coles and her staff members Valentina Strang, Roger Crowe, and April Owen prepare for store opening. Poplar Hill is our smallest store and boasts the highest sales per square foot of any location.

07:38 HAPPY VALLEY

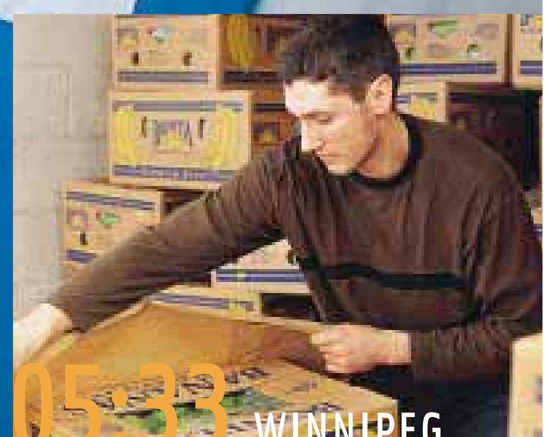
Store manager David Pelley pays personal attention to the smallest details, like keeping his sidewalk clean. David and his staff are the biggest reason why our 3,255 square metre (35,000 square foot) *NorthMart* is the top shopping choice in Happy Valley and adjoining Goose Bay, home to the largest Canadian Air Force base in eastern Canada.

01:56 ANCHORAGE

Jeremy Brown works Alaska Commercial Company's (AC) freight packaging line. *AC* processes an average of 33,000 kilograms (72,700 pounds) of product on a typical shift for next day air delivery to one of its 23 locations within Alaska's interior.

07:15 HAPPY VALLEY

Edna Kinsella makes freshness her first priority, ensuring that our Happy Valley bakery delivers the best quality and service all day long. In 2001, fresh bake-off operations will be added to five stores.



05:33 WINNIPEG

Joey Cusson prepares cases of bananas for cold-weather shipping at *Crescent Multi Foods,* North West's produce distribution business.

12:00 13:00 14:00 15:00 16:00 17:00 18:00 19:00 20:00 21:00 22:00 23:00 24:00

10:23 IQALUIT

Meat manager Ken Ives serves Amanda Ford at our 6,000 square metre (64,500 square foot) *NorthMart* store, the number one shopping destination in Iqaluit, the capital of Nunavut, Canada's newest territory.

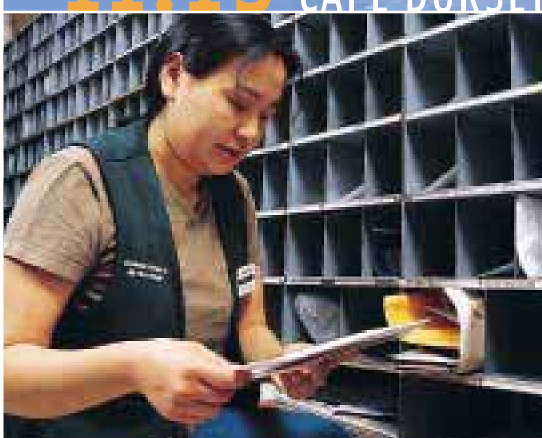
09:06 IQALUIT

When winter days reach as low as -52˚C (-78˚F), customers and staff take advantage of the convenient underground parking at the Iqaluit *NorthMart*.

24:00 01:00 02:00 03:00 04:00 05:00 06:00 07:00 08:00 09:00 10:00 11:00

growing with our customers across the north

11:15 CAPE DORSET



Northern postal clerk Maata Oqutuq sorts the mail. The North West Company operates 40 post offices in Canada, reinforcing our stores' role as the everyday shopping and service hub within the community.

11:47 ANIAK

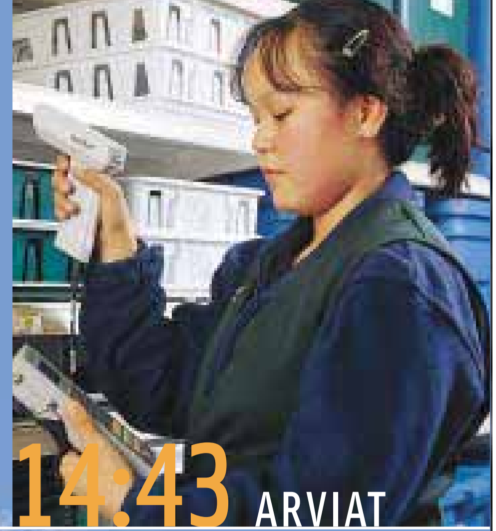
"Grandma Nancy" Morgan, a familiar face at our Aniak AC store for over 40 years, shares a smile with office manager Gail Niles. Our staff enjoy close-knit relationships with customers in the communities we serve.

11:33 CAPE DORSET

Adamie Ashevak negotiates a selling price with a *Northern* store buyer. Cape Dorset is known as the Inuit art capital of Canada, with over 300 active carvers. The North West Company operates the largest Inuit art buying and marketing service in Canada.

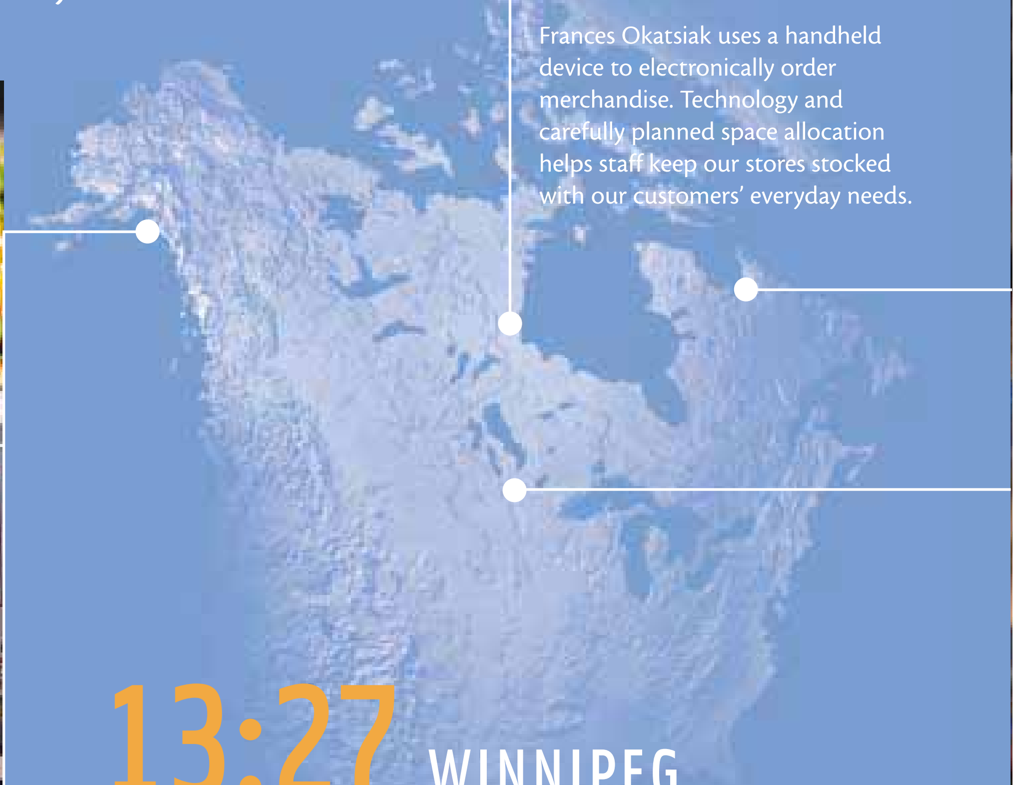
we deliver year round
around the clock

We deliver 97 million kilograms (214 million pounds) of merchandise to the North – by road, rail, air and water.



14:43 ARVIAT

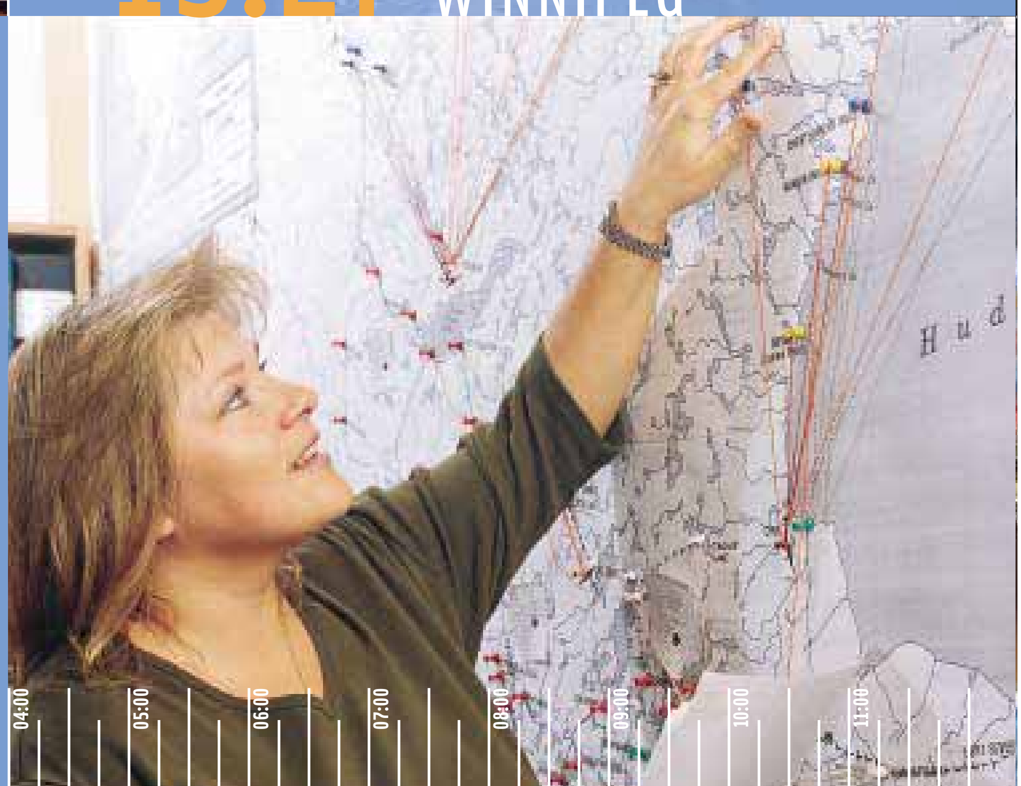
Frances Okatsiak uses a handheld device to electronically order merchandise. Technology and carefully planned space allocation helps staff keep our stores stocked with our customers' everyday needs.



13:02 CORDOVA

Head cashier Teresa Hardie fills an order for a commercial fishing boat based out of Cordova. These and other commercial accounts, like the U.S. Coast Guard, represent up to 25% of AC's business in island and coastal communities in Alaska.

13:27 WINNIPEG



Transportation analyst Dawn Klatt maps out North West's complex logistics routes – ranging from winter roads in northern Manitoba from January to March – to a sealift schedule for the eastern Arctic from July to October.

24:00 01:00 02:00 03:00 04:00 05:00 06:00 07:00 08:00 09:00 10:00 11:00

An Inukshuk watches over the isolated northern town of Kangiqsualujjuaq. The *Northern* store is often the main source of food and general merchandise for people living in these remote communities.

14:05 KANGIQSUALUJJUAQ

14:16 WINNIPEG

Don Combot loads frozen food at North West's 10,416 square metre (112,000 square foot) Northcan food distribution centre in Winnipeg. Each winter, over 3.6 million kilograms (8 million pounds) of merchandise representing up to 10 months supply is cost-effectively shipped by winter roads.

focused on customer needs across the north

15:13 ARVIAT

Janine Kalluak helps Suzie Muchpah shop for a new winter jacket at our store in Arviat. In 2000, North West introduced its own line of cold climate clothing under the *Northern Expedition* label. *Northern Expedition* outerwear and winter footwear are designed to meet the rigors of northern living at a price our customers can afford.

16:01 ANIAK

Leonard and Nancy Morgan rely on their four wheeler as a source of transportation in Aniak. All-terrain vehicles, snow machines, boats and motors are the backbone of transportation in the North. The North West Company is a leader in each of these categories selling over $25 million worth of transportation products every year.

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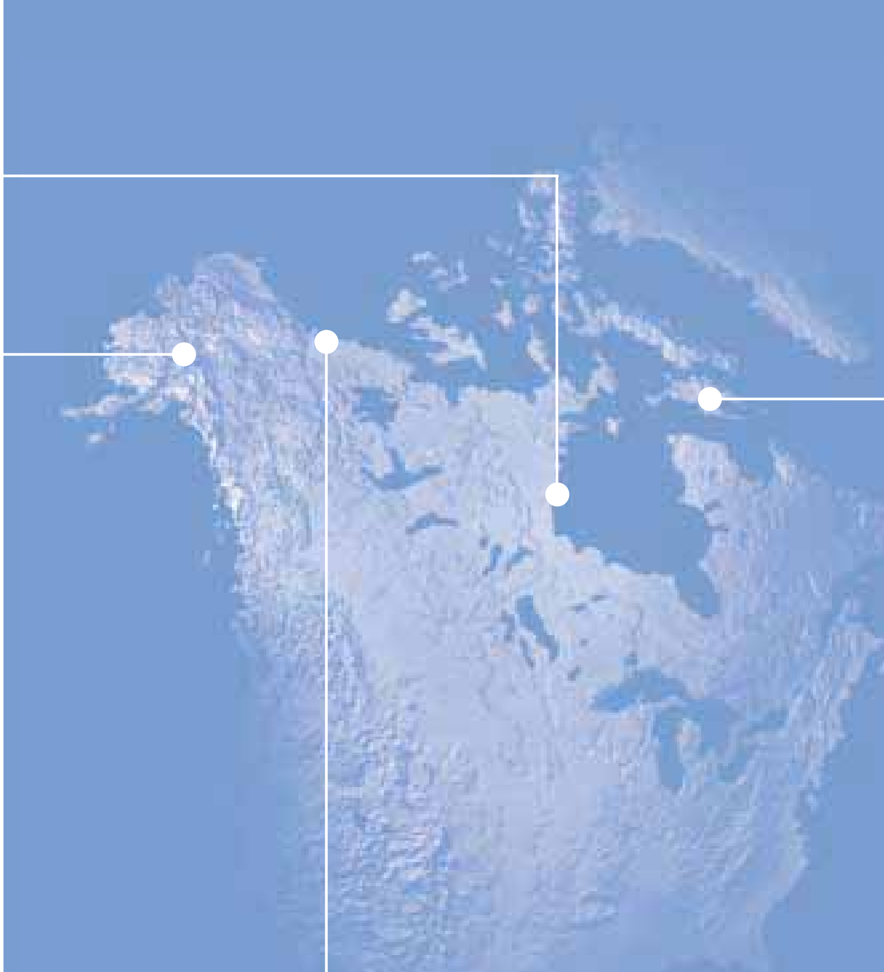
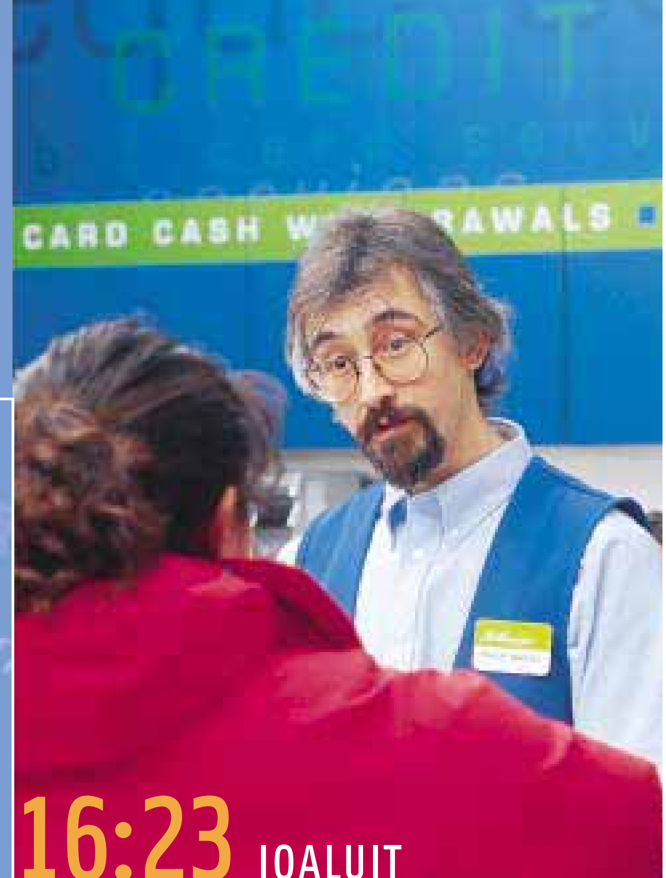


15:47 INUVIK

Amanda Bernhardt serves a customer at Inuvik's *Northern* store checkout. By serving customers' everyday needs and stocking what customers value the most, we have grown food sales in larger markets like Inuvik by more than 20% since 1998.

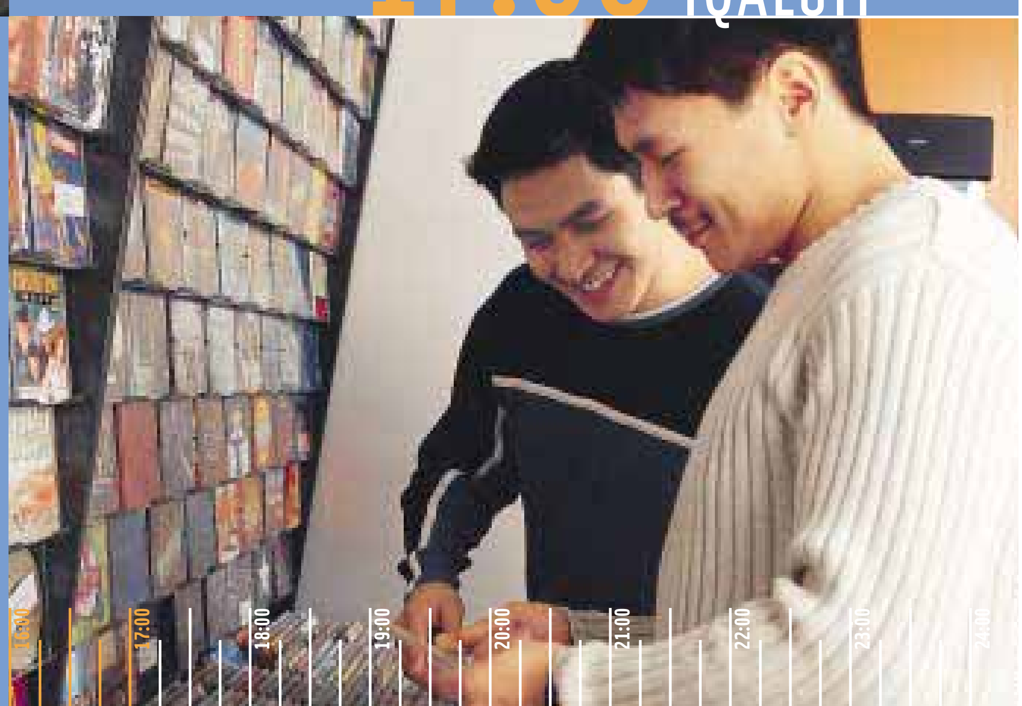


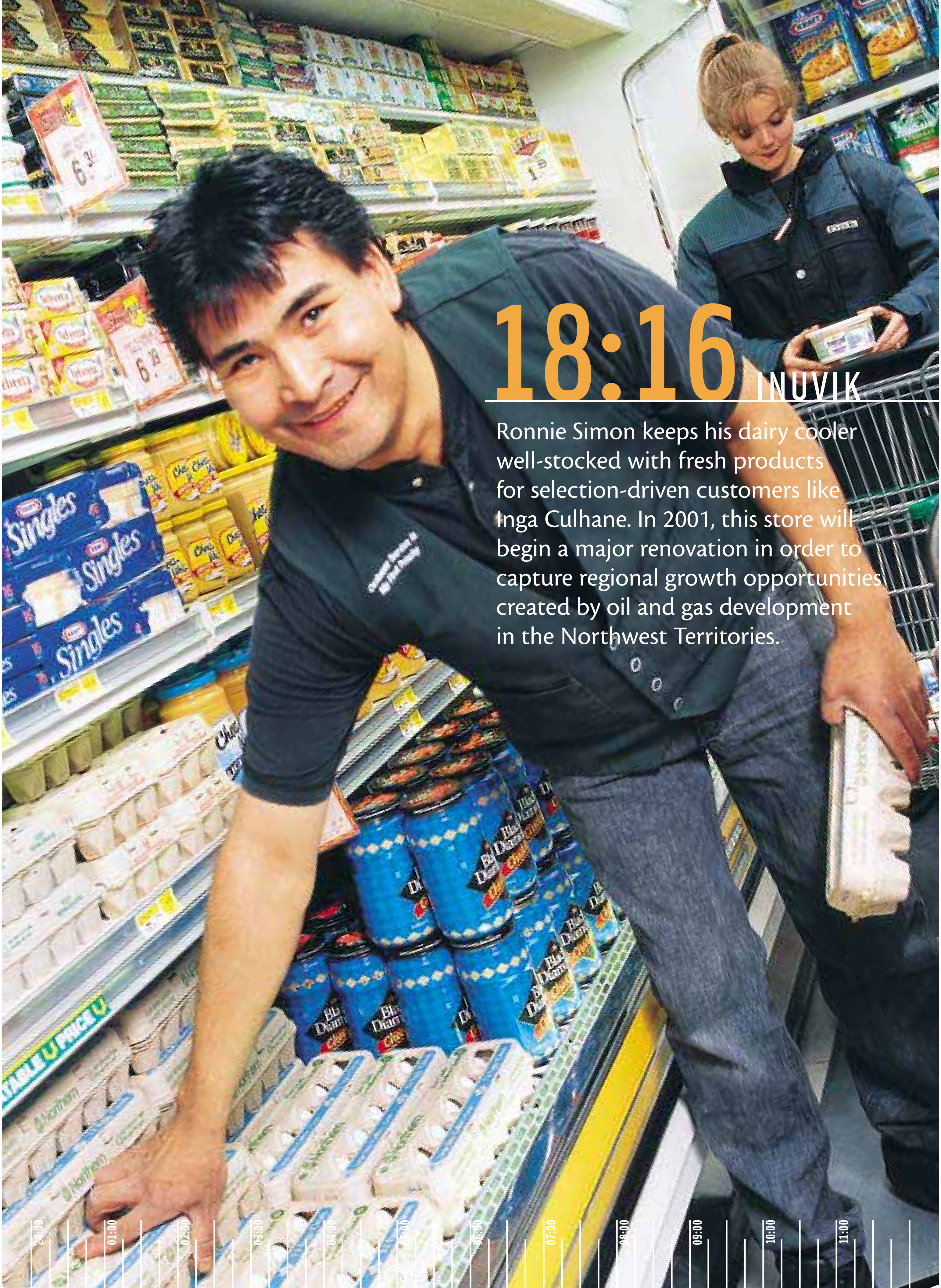
16:23 IQALUIT

Philip Bailey, manager of *Northern* Financial Services in Iqaluit, cashes a customer's cheque. We also offer cash withdrawals, cash transfer and consumer credit services at our stores across the North and we are often the only reliable, local provider in markets where traditional banking outlets do not exist.

Harry Pearce and Steven Curley are our customers of today and the future. Over half of the North's population is under the age of 20. Merchandise categories like music, fashion and quick-service food solidifies our relationship with this important customer segment.

17:06 IQALUIT

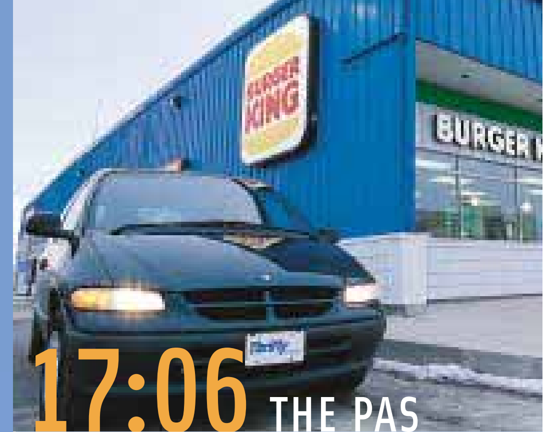




18:16 INUVIK

Ronnie Simon keeps his dairy cooler well-stocked with fresh products for selection-driven customers like Inga Culhane. In 2001, this store will begin a major renovation in order to capture regional growth opportunities created by oil and gas development in the Northwest Territories.

better at selling around the clock



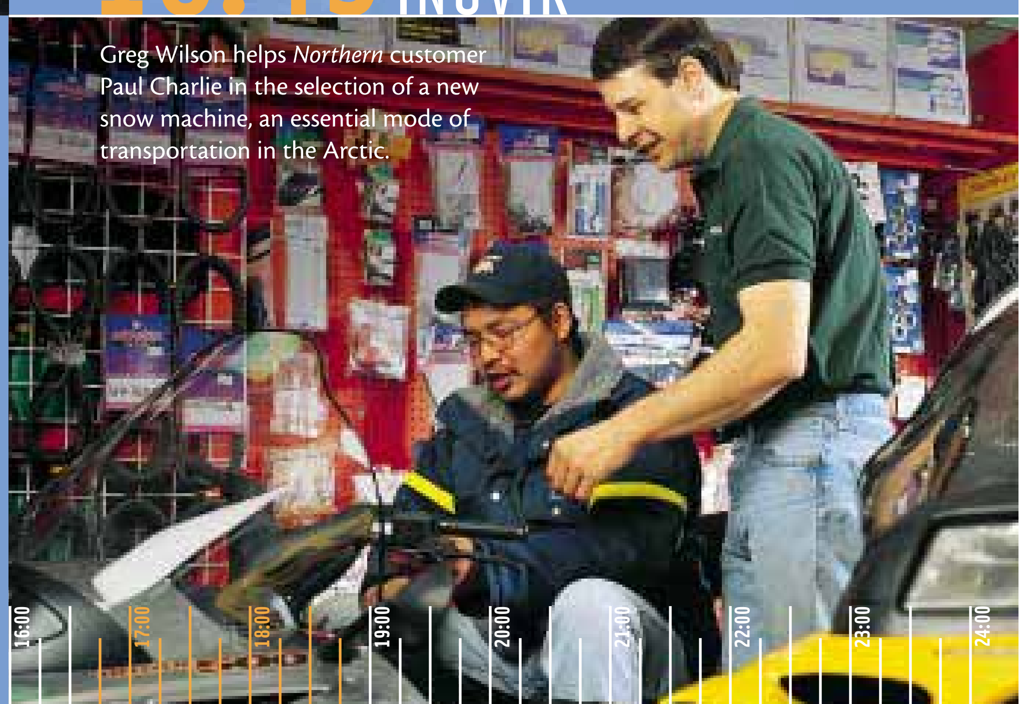
17:06 THE PAS

This *Burger King* is part of our *NorthMart* store in The Pas. It features one of the busiest drive-thrus of any *Burger King* in Canada and is one of 33 licensed quick-service restaurants operated by North West.

18:42 ARVIAT

Jamie Alikaswa stocks basic grocery products as part of store reprofiling in Arviat. Staying in stock is the backbone of North West's reliable, convenient service in the North.

16:49 INUVIK



Greg Wilson helps *Northern* customer Paul Charlie in the selection of a new snow machine, an essential mode of transportation in the Arctic.

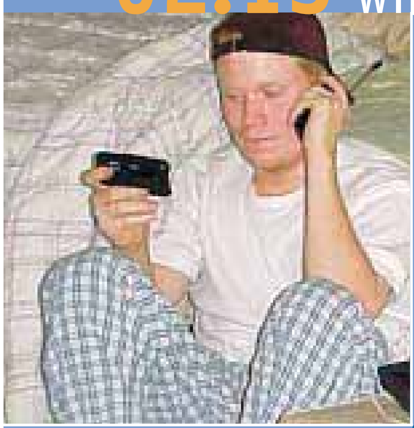
12:00 13:00 14:00 15:00 16:00 17:00 18:00 19:00 20:00 21:00 22:00 23:00 24:00

NorthMart store staff Roseanne Qaqqasiq, Amie Stroud, Jane Omilgoitok, and Annie Luccassie enjoy a break before working their evening shift. Over 125 staff work in our Iqaluit *NorthMart*. North West is the largest private-sector employer in Nunavut with 593 employees.

19:33 IQALUIT

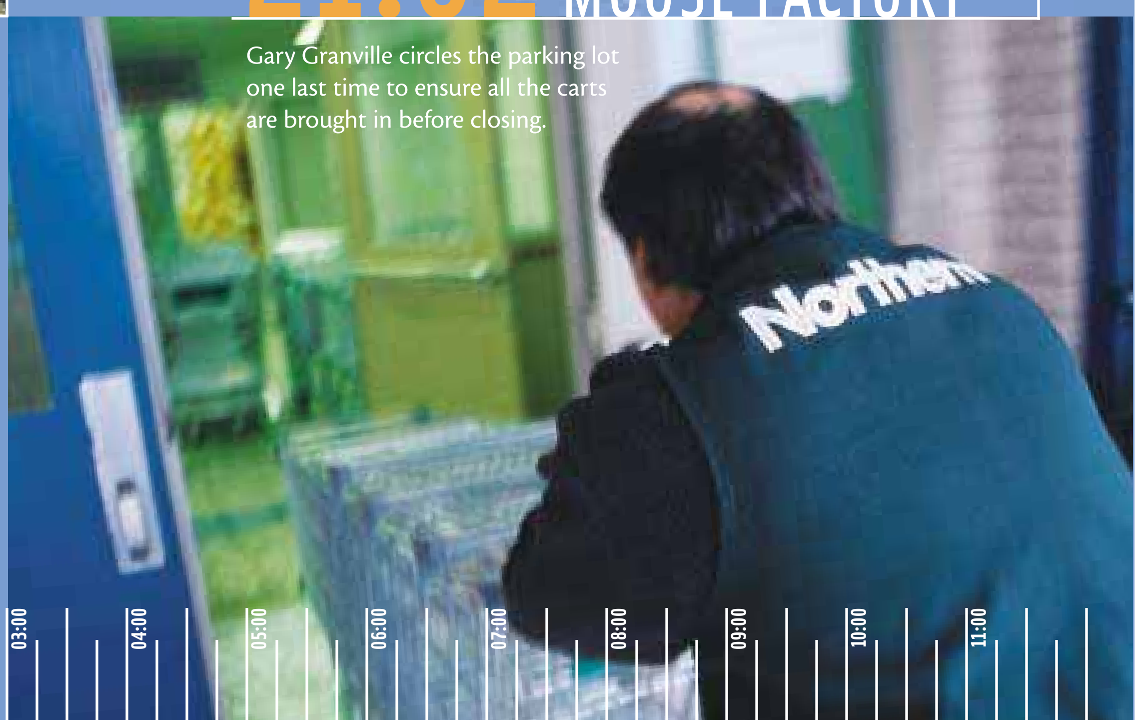
taking care of business around the clock

02:13 WINNIPEG



Doug Patenaude takes a tech-support call in bed from one of the eastern *Quickstops*. Having IT staff on call 24-7 allows us to keep business running across the seven time zones we serve.

21:02 MOOSE FACTORY



Gary Granville circles the parking lot one last time to ensure all the carts are brought in before closing.

24:00 01:00 02:00 03:00 04:00 05:00 06:00 07:00 08:00 09:00 10:00 11:00

17:48

WINNIPEG

Celina Gardiner, an employee of The North West Company for over 35 years, takes a call at the *Selections* catalogue order desk. Catalogue sales have increased by 53.5% since 1999 as a result of our strategy to focus on the catalogue channel while shifting in-store space to selling more food and basic general merchandise.

12:00 13:00 14:00 15:00 16:00 17:00 18:00 19:00 20:00 21:00 22:00 23:00 24:00

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Winnipeg, MB Canada R3C 2R1
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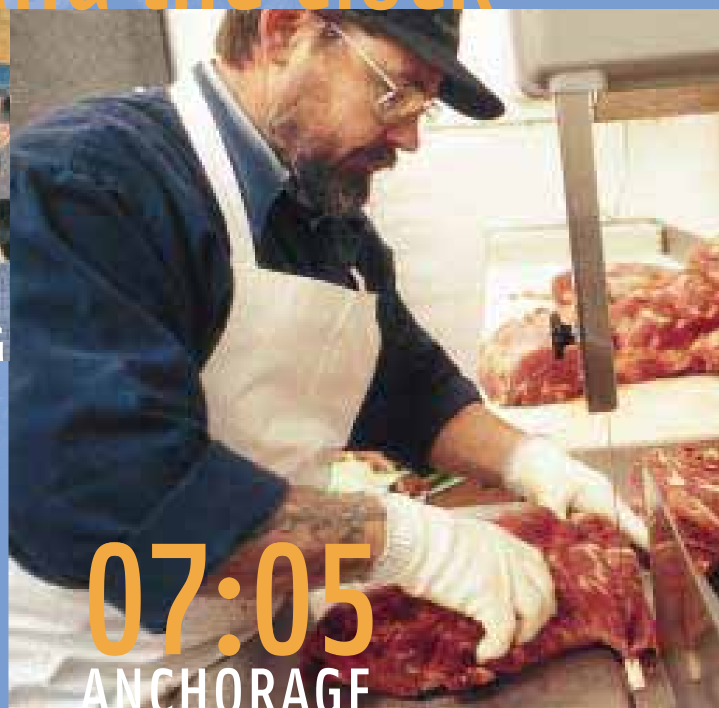
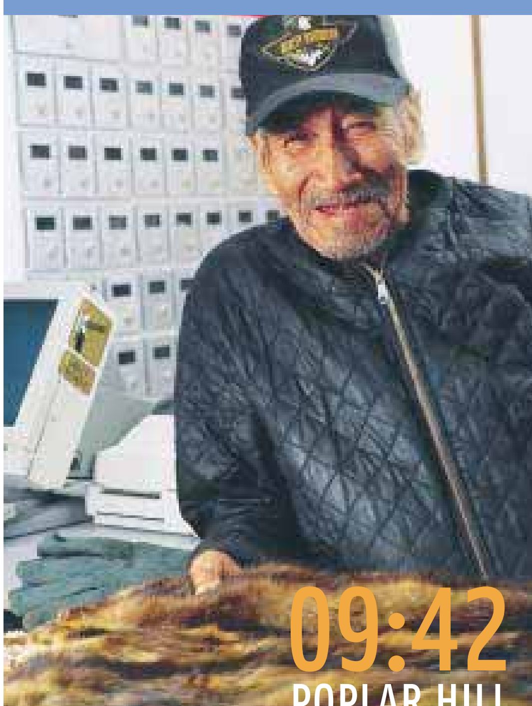
across the north
around the clock

Food Marketing and store Sales & Operations management review new product initiatives for 2001.



Dave Henry, at Alaska Commercial Company's meat processing centre in Anchorage, prepares fresh and frozen meat for AC stores that are too small to operate their own meat departments.

Every Wednesday at noon is "hockey time" for Gibraltar House management and staff.



Trapper Suggashie Strang trades pelts at the *Northern* store in Poplar Hill – a tradition since the first trading post opened in 1668.

Front Cover:
Annie Ottokie is used to going shopping by snow machine. She is a typical northern customer, who lives where roads are scarce.

Gerald Asivak ensures that fresh produce is available to his customers in Happy Valley.

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growing our business

President and C.E.O. Edward Kennedy during a weekly Friday morning staff meeting at Gibraltar House, Winnipeg.

At The North West Company, we are at work across the North, around the clock, growing our business. Our goal is straightforward – to grow profitably as the first shopping choice in every community we serve. This year's annual report features our people and the work they do everyday to make this goal a reality. Whether behind the scenes at our distribution centres or in front of our customers on the sales floor, we're proud to show you the expertise, the service and the smiles that make us a market leader.

In 2000, our focus was to improve our execution and our commitment to being the best. We entered the year with modest sales momentum but with weaker margins than we felt we could achieve. This put a damper on first half performance and challenged us to deliver higher earnings by the fall season.

As we worked through the year, sales growth accelerated, helped by the reprofiling of an additional 53 stores in Canada. We measure our progress by tracking same store sales, stricter criteria than the retail industry's comparable store sales benchmark. Same store sales gains rose from 1% in the first quarter to our 5% target by the second half. This is where we finished 2000 and this is where we expect to be in 2001.

Growing sales by 5% without adding stores or eroding margins produces tremendous leverage that goes right to our bottom line. This was demonstrated in the third and fourth quarters when trading profit increased by 13.6% and 17.7%, respectively. For the year, net earnings rebounded sharply to finish at $28.1 million or $1.89 per unit compared to $1.86 in 1999. Consolidated sales increased 5.2% to a record $659 million.

Our Alaskan operations, Alaska Commercial Company (AC) also started the year slowly as rising fuel costs and other expenses created margin pressure. Better pricing and expense controls were in place by mid-year and this produced a $6.3 million (U.S.) trading profit for 2000, up 4.6% over 1999. AC has now recorded five consecutive years of increased profitability and we remain confident that we can bring AC's return on investment closer to our Canadian levels.

Three Key Strategies

As part of *Vision 2000+*, we continue to focus on three key strategies:

1. ***Streamline our business;***
2. ***Focus on what our customers value the most and what creates value for us;***
3. ***Be the best at selling.***

Streamlining is becoming part of our culture. We see larger cost savings that can be secured through alliance partnerships with non-competing retailers and distributors. Equally vital to this strategy are everyday opportunities to do more with less. Last year, we achieved savings in travel, communications and advertising costs, reducing our overall expense rates by 22 basis points (equivalent to $1.1 million) in Canada and by 75 basis points (equivalent to $800,000) in Alaska.

Our second strategy is to create value for our customers and for us. This is really about making product and service choices and then executing to be the best at delivering them. The North West Company likely has the broadest product and service mix of any retailer in the world, from snow machines to hamburgers to fashion clothing to cash transfer services. Where should our mix expand to next? Where should it stop? How can we partner to offer even stronger product or service lines? These are the opportunities that drive this strategy.

The answers we've found are reflected in our actions over the past two years. We've shifted 121,000 square feet of in-store selling space to convenience needs like food and everyday basic products while expanding our catalogue to sell more selection-driven categories like home living and fashion. On the alliance side, in 2000 we tested partnerships with *RadioShack Canada*, *H&R Block*, and *TruServ Canada Cooperative Inc.* The results have been very positive in delivering a stronger product or service offering to our customers at lower costs. After fine-tuning in early 2001, we expect to solidify several of these and other alliances, bringing them to more of our stores in 2001.

One area that will receive more attention in 2001 under our value-driven strategy is supply chain management. In 2000, we ran at higher average inventory levels than in 1999. We weren't pleased with this, especially because we had targeted to keep inventory levels flat. This year, we have a solid supply chain management plan behind the target that first addresses chronic slow-turning inventory "pockets" and then focuses on creating better processes to flow inventory from vendor to customer. Over three years, we expect to deliver a $12 million reduction in average inventory levels.

Our third strategy is to be the best at selling. This started in 1998 with a focus on building the marketing capability we needed. At store level we began putting more resources in place last year. Management and supervisory training programs were held in two regions, financially assisted by partnerships with regional governments. Early in the fall, we held our first ever company-wide "Simply The Best" store managers conference and trade show. Cost and logistics had prevented this undertaking before but, with the financial cooperation of our vendors, we were able to make it happen. This event was a huge success. It gave our managers new ideas and insights into driving sales and provided them with an important forum for giving the same back to our head office and distribution centre people. We entered the fall as a better team and our third and fourth quarter results demonstrated this.

Being the best at selling will guide several key initiatives in 2001. We have plans to improve our people strength, further streamline non-selling activity at store level and introduce new point-of-sale technology. Compensation programs at store level will be changed to encourage local management retention and to development and incent performance based on results. Store processes will continue to be scrutinized to eliminate administration work that can be centralized or simplified. And, with an older point-of-sale system currently in place, the replacement options are presenting major gains in efficiency and in flowing better information between our stores and head office.

New Growth Ventures

Our investment in *Vision 2000+* is a sign of our confidence in being able to capture profitable market share within the attractive demographics of our core, northern Canadian and Alaskan markets. We consider these markets to be our main thrust for growth. At the same time, we intend to pursue opportunities that complement and reinforce this focus. One example is our recently announced venture with *Giant Tiger Stores Limited* (*GT*). We will test two stores over 2001-02 to determine the viability of *GT's* family discount store format in western Canada. The target customer is the same low income, necessity-impulse shopper we serve in the North. The merchandise mix is similar but narrower. The concept is a proven winner in eastern Canada and has no direct competitor in the West. Equally important, we expect to leverage lower buying costs for our core business customers.

Performance for Investors

Our investor goal is to consistently be in the top quartile of performance. In fiscal 2000, we distributed $1.44 in cash per unit to our investors and our unit price increased from $12.00 to $13.00. This produced a total return of 23% compared to a total return of 11% for the Toronto Stock Exchange (TSE) 300 index and 20% for the TSE merchandising sub-index. Over the last five years, our units have delivered a total return of 137% compared to 103% for the TSE 300 index and 51% for the TSE merchandising sub-index.

We take our investment performance seriously. This starts and ends with our goal to grow profitably as the first shopping choice in every community we serve. To our customers, this means consistently being in stock with products that they need everyday, offering a broader mix of merchandise through our catalogue, providing caring and helpful service and credit availability. Through the actions we have highlighted, we are moving faster and closer to achieving this result.

Outlook

Our 2001 financial target is to maintain earnings growth in both Canada and Alaska. We do not believe that uncertain North American economic conditions will significantly affect our business. Our core customers depend on government transfer payments or regional government funding. We expect both to increase in 2001 based on announced territorial budgets and federal spending plans for child benefits and the Aboriginal community. Two regions, Alaska and the Northwest Territories will see above average growth stimulated by higher oil and gas prices. We will have to carefully manage rising energy-related costs and ensure that inventory levels are controlled. But on the demand side, we are confident that profitable growth opportunities will continue in our markets over the near and long term.

Edward Kennedy

EDWARD S. KENNEDY, PRESIDENT AND C.E.O.

Ian Sutherland

IAN SUTHERLAND, CHAIRMAN

April 20, 2001

fund structure

In 1996, The North West Company began to consider alternate corporate structures that would allow the Company to distribute more of its strong cash flows directly to shareholders in a manner that was effective from a tax point of view.

The result was the creation of the North West Company Fund. On March 27, 1997, shareholders of the Company exchanged their shares for units in the Fund at a value of $11.70 each.

Under the old Company structure, dividends were paid from earnings, which were subject to corporate income tax, generally at a rate of about 44%. In effect, the corporate income tax paid by the Company reduced the amounts that could be paid as dividends. Dividends which were then paid were also subject to income tax in the hands of shareholders at the dividend tax rate.

Under the current Fund structure, distributions are paid from interest that the Fund earns from the Company primarily on subordinated notes it has issued to the Company. This income is not taxable in the Fund's hands provided it is distributed to unitholders. The distributions that are made are then subject to income tax at each unitholder's income tax rate.

The benefit? Because the Fund does not pay income tax before making distributions, unlike the Company, it can make payouts that are much higher. The Fund receives money from the Company as interest paid on debt, which is not taxable. Currently, the Fund holds $175 million in 12.5% subordinated notes issued by the Company as well as all of the common and preferred shares issued by NWC.

The following table compares how much was paid out in annual dividends and distributions before and after the creation of the Fund in March 1997. On a pre-tax basis, dividends/distributions have more than doubled since 1996, from $0.70 per share to $1.44 per unit last year.

Fiscal Year	1996	1997	1998	1999	2000
Pre-tax cash flow/unit ($)	2.72	3.17	3.65	3.12	3.28
Distributions/Pre-tax dividends ($)	0.70	0.75	1.00	1.44	1.44
Payout %	25.7	23.7	27.4	46.2	43.9

The Company's income tax saving per unit on interest paid to the Fund was $0.33 for the 1997 fiscal year, $0.62 in 1998, $0.65 in 1999 and $0.64 in 2000.

Distribution Policy

The distribution policy of the Directors of the Company and the Trustees of the Fund is to distribute the Fund's interest income, less expenses, to unitholders in cash as long as:

- the Fund maintains its targeted debt to equity ratio;
- the Company maintains its debt rating;
- cash flows are sufficient for expansion and/or acquisitions; and
- the business prospects of the Company remain positive.

analysis highlights

- Consolidated sales up 5.2% with sales momentum building through last half and into 2001.
- Trading profit (EBITDA) increased 6.8% in Canada and 5.3% in Alaska.
- Earnings per unit were $1.89 compared to $1.86 in 1999.
- Cash distributions of $1.44 per unit provided unitholders with a 12% yield on their investment. Combined with unit appreciation during the year, this produced a total return of 23% to investors.
- Reprofiling of assortments to focus investment, selling space and product mix on high potential food and everyday basic categories was completed in 53 stores in 2000 bringing the total to 101 stores to date.
- Net capital investment was reduced to $18.3 million from $20.7 million in 1999. In Alaska, two small stores were closed and one small store was opened. There were no stores opened or closed in Canada during the year.
- Debt to equity ratio improved from 1.01:1 to 0.92:1.
- Aboriginal participation increased through direct investment in NWF and through increased board and management representation.

md&a

NORTH WEST COMPANY FUND

On March 27, 1997, the shares in The North West Company Inc. (NWC) were converted into units of the North West Company Fund (Fund), a mutual fund trust which assumed ownership of NWC. On that date, NWC issued $85.5 million in subordinate notes to the Fund at an interest rate of 12.5%. The subordinate notes were increased to $175.0 million in 1998 which is the maximum permitted under the terms of an agreement with the holders of NWC senior debt. Interest is paid by NWC to the Fund on a semi-annual basis on March 15 and September 15. Interest on the notes is tax deductible by NWC. The impact of this tax saving in NWC on earnings of the consolidated operations of the Fund (NWF) was $0.64 per unit in 2000 compared to $0.65 in 1999. The Fund makes quarterly distributions to the unitholders of interest income after deducting expenses.

During 2000, unitholders received quarterly cash distributions of $0.30 per unit on March 15, June 15, September 15 and a final cash distribution of $0.54 per unit on December 15, 2000. The quarterly distribution of $0.36 per unit effective March 15, 2001 is expected to be maintained for 2001. The Directors and Trustees will decide in November 2001 on the level of cash distributions for 2002 based on projected earnings, the debt to equity ratio, the NWC's debt rating, capital requirements for expansion and/or acquisitions and future business prospects.

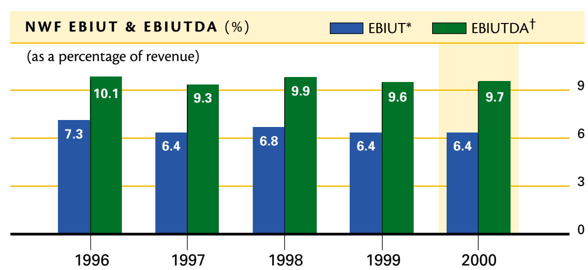
NWF CONSOLIDATED OPERATIONS OVERVIEW

Revenue and earnings

NWF reported consolidated earnings of $28.1 million for 2000, or $1.89 per unit compared to $28.0 million or $1.86 per unit last year. Earnings before interest and income taxes (EBIT) increased by 6.3% to $42.3 million in 2000. Trading profit (EBITDA) increased by 6.6% to $63.9 million in 2000.

The effective income tax rate for 2000 was 3.3% of pre-tax earnings. Income taxes for Canadian operations were $5.0 million largely due to the income tax rate reduction on the future tax assets and a valuation allowance against the future tax assets. This charge was offset by the recognition of future tax assets related to Alaska Commercial Company tax loss carryforwards and other temporary differences of $4.3 million. Interest expense increased by 13.1% during the year due to increases in short term rates and higher average debt levels over the year.

Sales for the 52 weeks ending January 27, 2001 increased 5.2% (3.3% on a same store basis) to $659.0 million. Canadian operations accounted for 76.3% of total revenue (76.4% last year) while Alaska Commercial Company operations contributed 23.7% (23.6% last year) of total revenue.



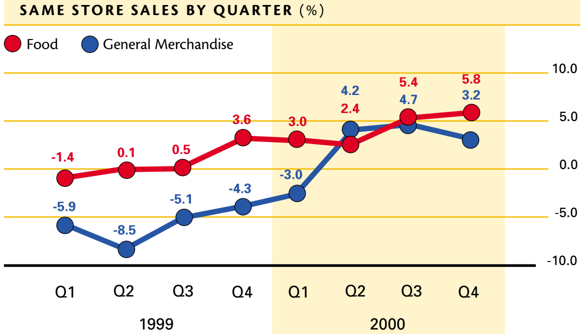
* EBIUT is earnings before interest, unusual item & income taxes.
† EBIUTDA is earnings before interest, unusual item, income taxes, depreciation & amortization.

CANADIAN OPERATIONS

Canadian sales and other revenue of $502.8 million increased 5.1% (3.6% on a same store basis) or $24.2 million.

Total sales from stores increased 4.5% led by food sales which were up 4.6% (4.2% on a same store basis). Food sales accounted for 65.2% (65.0% last year) of total sales. Food sales are expected to continue to grow at a faster rate than general merchandise sales due to the additional selling space, improved fixturing and refrigeration and increased management resources assigned to food operations. This increased focus is expected to yield higher growth and improved margins. Sales were strongest in the perishable categories of meats, deli, bakery and produce. General merchandise sales were up 2.5% (2.5% on a same store basis) led by strong sales of big ticket merchandise such as snow machines, all terrain vehicles, furniture and electronics. Apparel sales were flat, while sales of toys and seasonal goods were down from last year. *Selections* catalogue sales were $37.6 million, an increase of 14.3% from the previous year. Customers' acceptance of NWC's catalogue offering improved in 2000 due to an expanded catalogue, improved service levels from the call centre and timeliness of deliveries. General merchandise margins improved despite a higher blend of hardgoods as a result of more favorable negotiated buying terms as part of the vendor consolidation programs. Quarterly same store sales for the last two years show the improving trend that has resulted from the changes made to merchandise assortments.

SAME STORE SALES BY QUARTER (%)



Reprofiling of stores continued in 2000 with 53 stores completed during the year and 101 stores completed to date. Plans are in place to complete 35 locations in 2001 leaving seven stores, which will be completed in conjunction with planned renovations during 2001 and 2002. Due to the number of change initiatives underway at store level and the number of external factors that affect sales, it is difficult to accurately gauge the impact of reprofiling. Our best estimate is that this project continues to incrementally improve our sales by 3% to 5%.

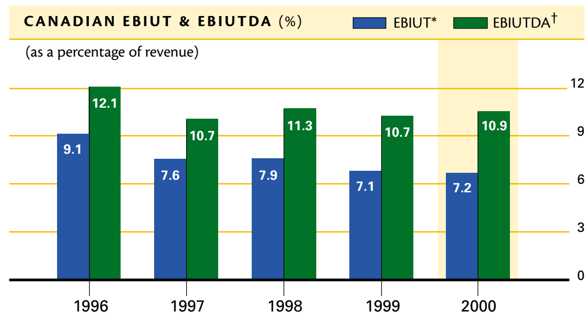
On a regional basis, sales growth was strongest in larger communities such as Iqaluit, Nunavut, Rossville and Cross Lake in Manitoba and Moosonee and Moose Factory in Ontario. Most of our larger stores have benefited from renovations completed over the last few years or reprofiling which improved store space allocations and refrigeration.

Sales per selling square foot were $606 for food ($667 in 1999) and $310 for general merchandise ($278 in 1999) due to the shift in additional square footage to food from general merchandise. Food selling square footage was increased from 45% of total selling space to 51% as part of the reprofiling of the stores during the year.

Gross profit rates were 34.9% in 2000 compared to 35.0% in 1999. The rate dropped as a result of a higher blend of food sales particularly in larger, more competitive markets where market share gains have been made. A higher blend of lower margin big ticket merchandise, increased freight costs, flat apparel sales and competitive pressures also dampened gross margin rates. Inventory turnover in the core stores remained unchanged at 4.14 turns in 2000. Turnover for total Canadian operations including goods in transit and distribution centres dropped from 3.12 to 3.06 as more warehouse product was carried to improve replenishment capabilities.

Canadian operating expenses were 4.2% higher than in 1999. The rate to sales decreased to 27.8% from 28.0% last year. The expense rate decrease was attributable to lower staff costs as a rate to sales, reduced advertising costs due to elimination of a patronage program, and increased fees from financial services. Increased energy prices caused heating costs to rise 28% and electricity to increase 12%. Investments are being made in more energy efficient equipment to reduce the impact of rising energy costs. Expenses related to preparation for the Y2K conversion in 1999 did not occur this year. There were two non-recurring gains during the year. A gain of $765,000 was earned from the sale of shares in a transportation company which offset a loss from a shipping investment.
A foreign exchange gain of $454,000 resulted from the reduction of the net investment in Alaska Commercial Company due to the repayment of a note held by The North West Company Inc.

EBIT from Canadian operations increased $2.2 million to $36.0 million or 7.2% of sales compared to $33.8 million or 7.1% of sales last year.



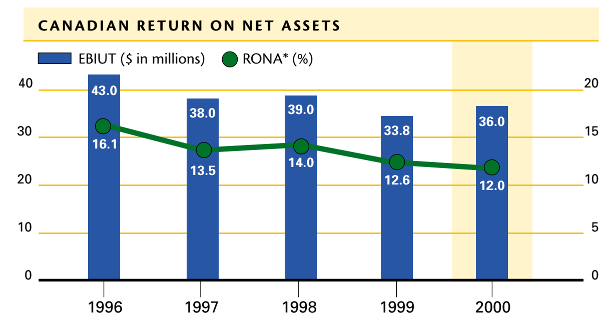
* EBIUT is earnings before interest, unusual item & income taxes.
† EBIUTDA is earnings before interest, unusual item, income taxes, depreciation & amortization.

Capital expenditures in Canadian operations were $16.5 million in 2000 versus $20.5 million in 1999. The reprofiling investment in 53 stores cost $5.1 million and consisted of adding upgraded, standardized fixtures and new refrigeration equipment. Investments totaling $8.8 million were made in renovations of existing stores, equipment replacement, support facilities and one major replacement store. Investments in information systems of $2.6 million were primarily directed at upgrading in-store processors. Capital spending in 2001 in Canada will be approximately $19 million which will include the replacement of three stores, the reprofiling of the remaining 35 stores and acquisition of two new stores in new markets.

Canadian operations selling space increased by 3.1% or 21,000 square feet in 2000 to 1,019,000 square feet due to the reallocation of storage space to selling space in the reprofiled stores. Reprofiling resulted in 121,000 additional selling square feet being allocated to food while general merchandise space was reduced by 100,000 selling square feet during the year. No new stores were opened in 2000 and none were closed during the year.

The Diversified Business group consists of three *Fur Marketing Branches*, the *Inuit Art Marketing Service* and *Crescent Multi Foods* (*CMF*), which distributes fresh produce to customers primarily in Manitoba and Saskatchewan, including 53 *Northern* and *NorthMart* stores in the region. Total sales for the group was $19.1 million compared to $15.5 million in 1999 driven by strong sales from *CMF*. EBIT declined to $1.3 million in 2000 compared to $1.4 million in 1999 due to margin rate erosion at *CMF* and increased delivery expenses and lower debt loss recoveries.

At January 27, 2001, operational net assets employed were $269 million compared to $263 million at the previous year-end. The increase was mainly due to higher inventory ($9.1 million) and accounts receivable ($6.9 million) balances offset by higher accounts payable and accrued ($4.9 million).



* EBIUT as a percentage of average net assets employed.

Vision 2000+ update

In the spring of 1998, the Company announced a new strategic direction called *Vision 2000+*, aimed at strengthening the Company's competitive positioning and profitable growth potential in Canada. This plan is designed to improve margins and market share in targeted categories and customer segments.

Vision 2000+ was developed to generate long-term value in the Company's Canadian operations through the disciplined execution of three key strategies:

1. **Streamline our business;**
2. **Focus on what our customers value the most and what creates value for us;**
3. **Be the best at selling.**

The restructuring initiative that was part of *Vision 2000+* directly supports the first of these strategies by reducing administrative costs, exiting non-core store locations and eliminating less profitable, low growth merchandise categories.

To date, 10 *Northern* stores, one *Quickstop* convenience store and three *Fur Marketing Branches* were closed as part of the *Vision 2000+* divestiture strategy. A major restructuring of our supply chain and support services groups was also completed. Buyer responsibilities were changed to embrace a category management approach to the growth of the Company's distinct merchandise groups. Support costs were reduced in all corporate service areas by consolidating responsibilities, eliminating less critical functions, and redesigning the work to take advantage of investments made in technology. Operations management were repositioned closer to the stores. Resources were repositioned to address the need to reprofile the stores.

Another key *Vision 2000+* initiative was the expansion of in-store food and basic general merchandise shopping categories while placing less emphasis on fashion apparel and big-ticket durables. This initiative was aimed at capturing profitable growth potential in foods while building a stronger direct or catalogue selling channel for low-convenience, selection driven merchandise. The plan calls for completing the reprofiling of most stores by mid 2001.

Further refinements were made to strengthen the organization's ability to execute these strategies. This included adding senior management with category management experience who could lead the marketing programs and enhancing competitive food sales and operations capabilities to improve in-store execution. The marketing function was restructured to provide more focused leadership to the distinctive food and general merchandise needs. Additional resources were added to address requirements in the larger more competitive stores. Detailed store space plans were built to provide a disciplined approach to matching space and merchandise to local opportunities and to provide the basis for ongoing measurement of merchandise performance. Construction and merchandising teams were established to supervise and complete reprofiling work in the stores. One hundred and one stores were reprofiled by January 2001. Customer response has been very positive overall, but it has taken more time to shift shopping patterns than initially expected.

The third strategy is to create a superior store and direct selling capability. The Company held a very successful store managers conference last September which included a vendor trade show to ensure that merchandising strategies were developed with greater participation from store management. Revised compensation programs have been developed to attract and retain strong store management. Service level improvements were made to the *Selections* catalogue to increase customer satisfaction and profitability. In-stock levels in the stores were improved. The value proposition was more clearly communicated which increased customer traffic and spending. We are continuing to make progress in streamlining in-store processes, investing in technology and building merchandising skills in support of *Vision 2000+*.

ALASKAN OPERATION (in U.S. dollars)

Alaska Commercial Company (AC) improved its profitability in 2000, delivering a 5.0% increase in EBIT to $4.3 million compared to $4.1 million in 1999. Sales were up 4.9% (2.2% on a same store basis) to $104.9 million for the year. Food sales, which accounted for 77.3% of total revenue (76.4% last year), increased 6.0% (2.9% on a same store basis).

The majority of the gain was attributable to a 29.1% sales increase at AC's wholesale division *Frontier Expeditors* (*FE*), following a gain of 30.9% in 1999. To keep pace with growth opportunities, *FE* relocated to larger facilities in the first quarter of 2000. *FE* generated the sales increase by securing additional market share in rural Alaska and selected urban customers in the Anchorage market.

Sales growth from AC retail stores softened in 2000, reporting a 2.5% increase for the year after a 10.3% increase in 1999. Growth in 1999 was aided by renovation and replacement of two large stores in the previous year. These stores continued to produce solid sales increases and improved market share in 2000, however the benefits were diluted by sales declines in western Alaska communities affected by the downturn in commercial fishing. Federal relief benefits and a modest upswing in fishing late in the year produced sales increases of 4.7% in the fourth quarter. General merchandise sales were up 0.5% for the year and 3.4% in the fourth quarter. Food sales increased 3.0% for the year while fuel sales were up 21.5%. Two small stores were closed during the year and one convenience store was opened in December. The selling square feet increased to 238,000 from 235,000 last year.

Gross profit rates decreased 0.7% to 31.8% due to a higher blend of wholesale business at lower margins. Gross profit rates in the AC stores were down 52 basis points mainly due to transportation cost increases which were not fully recovered in price adjustments and higher blends of food and fuel sales. AC's expense rate decreased for the second year in a row to 27.7% from 28.5% as a result of tight expense controls, lower staff costs and increased revenues from financial services. Year-end inventories at $14.1 million were $1.1 million or 7.1% less than last year as a result of the net reduction of one store and planned reductions of inventory in targeted stores carrying excess stock.

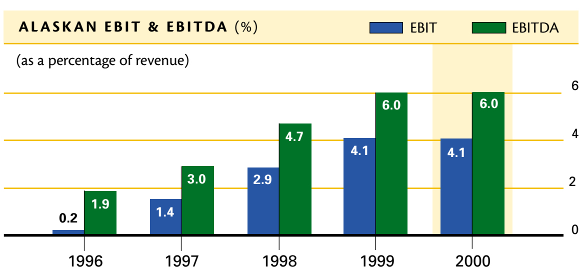
Net capital expenditures in 2000 were $1.7 million. One new convenience store was opened in Barrow and two small stores were closed in Ouzinkie and Nondalton. Capital spending in 2001 is expected to be approximately $2.6 million for one new store, the replacement of an existing store and miscellaneous replacement expenditures.

At January 27, 2001, AC employed operational net assets of $47.5 million, unchanged from the previous year-end.

EBIT and EBIT before depreciation and amortization (EBITDA) rates for Alaskan operations are summarized below.

ALASKAN EBIT & EBITDA (%)

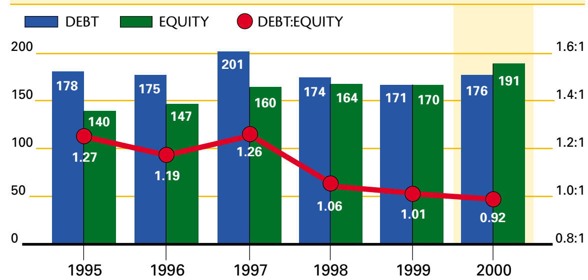
(as a percentage of revenue)



LIQUIDITY AND CAPITAL RESOURCES

The continuing strengthening of NWF's capital structure is reflected in the following chart. Over the last five years, NWF's and NWC's debt to equity ratio has been reduced from 1.27:1 to 0.92:1 while annual payments to unitholders have increased.

CAPITAL STRUCTURE (in millions)



On a consolidated basis, NWF had $176 million in debt and $191 million in equity at the end of the year with a continuation of the improvement in the debt to equity ratio to 0.92:1 at the end of 2000 versus 1.01:1 a year earlier. Equity has increased by 36% over the last five years while interest bearing debt has been reduced by 1%.

Cash flow from operations of $47.8 million increased by $2.9 million or 6.5% from 1999. Inventories increased by $8.6 million or 7.5% over last year due to a more aggressive in-stock plan and earlier planned receipts of spring goods. Accounts receivable balances increased 15.4% due to strong big ticket sales on extended payment programs. Accounts receivable were up due to the strategy of encouraging customers to switch from non-interest bearing monthly charge accounts that required payment in full, to more flexible interest bearing revolving accounts that allow the customer the flexibility to make their payments in full or to pay any amount above a monthly minimum.

No new debt was issued in 2000. In addition to the $112.0 million in secured bonds outstanding, NWC has $106.0 million in secured operating lines of credit with banks in Canada and the United States of which $50.0 million was drawn at the end of the year compared to $44.7 million in 1999.

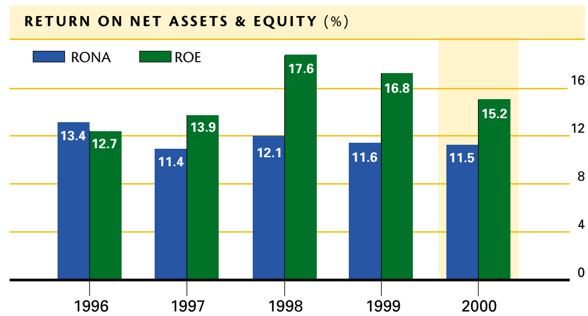
In 1995, NWC converted $42.8 million of its bond issue to U.S. dollars which serves to hedge foreign currency fluctuations on the majority of its U.S. assets. This swap resulted in a net unrealized loss of $1.7 million at the end of the year. This forward contract was secured to hedge the AC investment which had an unrealized gain of $5.7 million at the end of January 2001. The net unrealized gain in the cumulative currency translation adjustments account on the balance sheet is $3.9 million. The net balance of the cumulative currency adjustments translation account increased during the year due to the weakening of the Canadian dollar relative to the U.S. dollar.

Book value per unit at the end of the year was $13.00, an increase of $1.67 or 14.7% from last year's value of $11.33. The book equity was favorably affected by a change in the method of accounting for income taxes from the deferral method to the liability method as required by the new Canadian Institute of Chartered Accountants standard 3465. The effect of this change as of January 31, 2000 was an increase in the future tax asset by $16.9 million with a corresponding increase in book equity of $1.12 per unit through retained earnings. A more detailed explanation of the future tax assets is provided in Note 9 of the notes to the consolidated financial statements.

The number of units outstanding at January 27, 2001 was 14,691,000; a decrease of 309,000 units from January 29, 2000 due to purchases and cancellation of units under the normal course issuer bid program. The average number of units outstanding during 2000 was 14,874,746 compared to 15,000,000 in 1999.

The Fund purchased 309,000 units under a normal course issuer bid program that was approved by the Toronto Stock Exchange on March 27, 2000 and terminated on March 23, 2001. The value paid for units ranged from $9.85 to $11.00. The average cost was $10.66 per unit. The normal course issuer bid program has not been renewed.

NWF's return on average net assets (RONA) was 11.5% in 2000 compared to 11.6% in 1999. Return on equity (ROE) of the NWF was 15.2% in 2000 versus 16.8% in 1999.



Capital expenditures

Total capital expenditures in 2000, net of $819,000 in proceeds from disposals, were $18.3 million compared to $20.7 million in 1999. Net capital spending on Canadian and Alaskan operations respectively amounted to $15.7 million and $2.6 million. Capital expenditures are expected to be about $23 million in 2001, which will be funded out of operating cash flow.

Interest expense

Interest expense of $13.2 million was 13.1% more than in 1999 due to higher average debt levels and higher interest rates during 2000. The average debt outstanding during the year was $184.4 million, 5.3% above than the average debt outstanding of $175.2 million in 1999. The average cost of debt increased to 7.18% from 6.68% in 1999. Consolidated debt at the end of January 2001 was $175.8 million, which was $4.3 million or 2.5% more than a year earlier. Net assets employed increased by $25.4 million or 7.4% to $366.8 million. All debt at the end of the year was floating and financed mainly by Banker's Acceptance notes.

The interest coverage ratio remained strong at 3.20 times EBIT compared to 3.40 times last year.

($ in millions)	1996	1997	1998	1999	2000
Coverage ratio	3.65	3.22	3.12	3.40	3.20
EBIUT ($)	43.2	39.6	42.8	39.8	42.3
Interest ($)	11.8	12.3	13.7	11.7	13.2

Income taxes

NWF recorded a provision for income taxes in 2000 of $961,000 compared to $151,000 in 1999. The current year's provision for income taxes has an effective rate of 3.3% compared to 0.5% last year. The reduction to the effective rate in the provision from the combined statutory income tax rate of 43.2% is mainly due to NWC's ability to deduct interest payments made to the Fund. The Fund itself is not taxable, as it distributes its income less expenses to unitholders. NWF also benefited from AC's utilization of previously unrecognized U.S. income tax losses on current year income; the recording of previously unrecognized U.S. losses carried forward and timing differences. These positive adjustments offset the reduction of the future tax assets on NWC's balance sheet to recognize the Canadian income tax rate reduction and a valuation allowance made related to the Canadian tax loss carryforwards. The net tax benefit of these adjustments in the fourth quarter was $926,000 or $0.06 per unit. By recording the previously unrecognized U.S. tax loss carryforwards, AC will record an income tax provision on all future earnings in 2001 and beyond. This will increase the effective income tax rate and reduce the net earnings attributable to AC by an estimated $2.0 million Cdn or $0.14 per unit in 2001.

Future income taxes on the NWF balance sheet of $21.9 million increased significantly from the $4.8 million in deferred income taxes reported last year. Future income taxes represent the tax benefit of non-capital loss carryforwards, tax values of capital assets in excess of accounting values and other temporary differences and allowances. Loss carryforward amounts of $26.0 million ($25.7 million last year) are available until 2005 for Canadian operations and $2.5 million U.S. ($5.7 million U.S. last year) until 2012 for U.S. operations.

Management is confident that substantially all of these assets will be realized in the near future.

A more detailed explanation of the income tax provision and future tax assets is provided in Note 9 of the notes to the financial statements.

RISKS

NWC is exposed to the normal longer term business risks of the retail marketplace. The following table lays out the key risk factors that could affect the Company and its long term profitability:

External Factors	Internal Factors
Consumer environment	Customer service
Government spending	*Vision 2000+*
Employment income	Use of technology
Retail competitors	
Interest rate fluctuations	
Foreign exchange rates	
Refinancing debt	

NWC recognizes that a significant part of its performance is dependent on the Aboriginal consumer environment. The Company is intent on maintaining healthy relations with the Aboriginal communities it serves. To nurture this relationship, the Company has programs in place to increase the participation of Aboriginal people in all facets of NWC from the sales floor, through management to board representation and ownership participation. NWC is committed to increasing the complement of Aboriginal people among new management recruits and heightening the awareness of management and staff of the cultural and social issues that affect Aboriginal people. During 2000, we hired or promoted 78 Aboriginal people into store management positions for a total of 197 or 31% of total store management in Canada. This compares to 1999, when we hired or promoted 26 Aboriginal people into store management positions for a total of 162 or 26% of total store management in Canada. In Alaska, we promoted five Aboriginal people into store management positions and currently have 18 Aboriginal people in store management positions or 13% of total store management versus a total of 21 Aboriginal store management or 20% in 1999. Aboriginal ownership was increased in 2000 with Rupertsland Holdings Inc. acquiring $5 million in units of the Fund. Rupertsland Holdings Inc. is a consortium consisting of three regional Aboriginal organizations which include Tribal Councils Investment Group of Manitoba Ltd., Federation of Saskatchewan Indian Nations and

Denendeh Development Corporation. One new director of Aboriginal descent was added to the Board of Directors in December 2000.

The economy in the North is highly dependent on government spending through social benefits programs, health care, education and services. Capital spending on infrastructure and housing creates significant economic stimulus as evidenced by the stronger sales growth in the Nunavut Territory. The federal Liberal government has stated in election promises and in public statements its intentions to address some of the long outstanding land claims, the housing shortage in Aboriginal communities and substance abuse problems. This should have a favorable impact on many communities. Government social assistance spending in Alaska is not as great a factor because the economy derives significant wealth from natural resources such as fishing, oil and mining. However, in years such as 2000, the federal and state relief payments sent to fishing villages in western Alaska did provide an important economic boost to the local economy. The Alaskan economy benefits from annual dividends from a Permanent Fund created by oil royalty revenues collected over the past 20 years. These dividend payments were $1,968 per resident in 2000 compared to $1,774 in 1999 and are paid each October. Permanent Fund payments are expected to be about $1,926 in 2001. Increases in oil prices and a pro-exploration government in Washington will likely stimulate the economy over the next four years on both sides of the border. Increased employment income, even if it is government sponsored, has an immediate impact on local retailers.

The remoteness and size of the markets serviced make it difficult for southern-based retail competitors to access our markets. However, catalogues, televised home shopping and electronic commerce provide alternatives to our customers, primarily in the non-perishable categories. Our stores also compete with more accessible major regional centres where customers often out-shop because of the expanded assortments and lower prices. No major retail chains are expected to expand physically into our markets in 2001. Competition is generally stronger from local independent and *Co-op* stores where we expect to face expanded or new competition, as well as from southern retailers selling by catalogue into the North.

NWC is exposed to interest rate fluctuations on $176 million in floating debt compared to $151 million last year. Management plans to reduce debt by reducing working capital through improved operating cash flow and higher inventory turnover. Management has concluded that the benefit of the lower cost of floating rates exceeds the premium required for acquired fixed rate debt at this time.

NWC has partially offset the risks of changes in foreign exchange rates by hedging its investment in Alaska through forward foreign exchange contracts.

NWC is exposed to the normal risks of refinancing debt. The Company has bonds totaling $112 million and has also negotiated lines of credit with two Canadian banks and one bank in Alaska. Financial instruments have been used to allow NWC's debt to float at short-term rates. Management foresees no difficulty in maintaining these credit arrangements in 2001 and expects to be able to secure attractive debt refinancing in 2002. NWF's balance sheet is stronger than it has been in the last five years and its prospects are brighter as some of the benefits from the initiatives undertaken in *Vision 2000+* are starting to be reflected in increased customer traffic, stronger sales and improved earnings.

The Company places emphasis on customer service when recruiting, training and evaluating the performance of staff in the stores and in support services. Reward and recognition programs enforce the need to recognize that customer service is our first priority.

The *Vision 2000+* strategy results in risks related to customer acceptance of changes to the Company's in-store assortments, pricing, and the expanded role of the catalogue. It is also dependent on management's ability to execute the three key change strategies. This risk has decreased as *Vision 2000+* has been implemented and as positive preliminary operating results have been achieved. Some of the margin improvements and expense and inventory reductions planned in *Vision 2000+* are based on the use of technology to enable management and staff to improve efficiency. The Company has made significant investments to ensure that people, processes and technology capabilities will support our strategic goals.

In March 2001, NWC announced that it has entered into an agreement with *Giant Tiger Stores Limited* (*Giant Tiger*), Canada's leading discount franchise store retailer. Under the terms of this agreement, NWC signed a Master Franchise Agreement giving it the exclusive right to open and operate *Giant Tiger* franchise stores in western Canada. The two companies have also agreed to aggressively pursue opportunities to reduce procurement costs by combining their buying volumes in several product categories. NWC plans to open two *Giant Tiger* stores in Manitoba this year before further assessing the growth opportunity represented by this venture.

BUSINESS ENVIRONMENT & FUTURE PROSPECTS

The key business opportunities facing the Company are being pursued through *Vision 2000+*. The Company believes that it has significant growth potential in its core Canadian business and that this can be realized by meeting the needs of customers by providing a better assortment of groceries, fresh food and everyday basic general merchandise at affordable, fair prices. To deliver this value proposition, the Company is improving merchandise planning, purchasing, delivery and selling systems and has put in place performance-driven reward systems for its people.

A similar program introduced into Alaska has been encouraging with sales and earnings showing strong increases for five consecutive years. Continuous improvement in existing operations and new investment opportunities for growth, position AC to deliver further gains in 2001.

The Company is also looking to expand the use of alliance partners to provide supplements to our assortments and services at lower overall costs thus offering customers more choices at an accelerated rate while leveraging off our partners' strengths. Examples of this initiative include the *Giant Tiger* franchise stores that will be opened in 2001 and the hardware distribution agreement with *TruServ Canada Cooperative Inc.*

Economic factors in the markets serviced by NWF are positive for 2001. The Canadian government has enjoyed substantial increases in revenues and now has greater ability to address the health care and housing crisis in First Nations communities. Higher oil prices has led to increased speculation related to oil exploration in the western Arctic and Alaska. There has been more discussions on development of hydro, gas and pipeline projects in the North to reduce the dependency on imported oil. Employment in the North continues to grow and has not suffered the cutbacks in the high tech, telecommunications and auto sectors. Northern populations continue to grow at a faster pace than in the South, which increases demand for retail services. Management believes the prospects for the future will continue to strengthen based on execution of our *Vision 2000+* strategy in Canada, growing market share in Alaska and through new growth ventures, similar to the type recently announced with *Giant Tiger*.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of North West Company Fund and The North West Company Inc. are responsible for the preparation, presentation and integrity of the accompanying financial statements and all other information in this annual report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and include certain amounts that are based on the best estimates and judgment by management.

In order to meet its responsibility and ensure integrity of financial reporting, management has established a code of business ethics, and maintains appropriate internal controls and accounting systems. An internal audit function is maintained that is designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and recorded and that the financial records are reliable.

Final responsibility for financial reporting to unitholders rests with the Trustees of the Fund and the Board of Directors of the Company. The Audit Committee of the Board, consisting of outside Directors, meets periodically with management, Trustees and with the internal and external auditors to review the audit results, internal controls and accounting policies. Internal and external auditors have unlimited access to the Audit Committee. The Audit Committee meets separately with management and the external auditors to review the financial statements and other contents of the annual report and recommend approval by both the Trustees and the Board of Directors. The Audit Committee also recommends the independent auditor for appointment by the unitholders.

PricewaterhouseCoopers LLP, an independent firm of auditors appointed by the unitholders, have completed their audit and submitted their report as follows.

Edward Kennedy

EDWARD S. KENNEDY, PRESIDENT AND C.E.O.
THE NORTH WEST COMPANY INC.

Gary Eggertson

GARY V. EGGERTSON, C.F.O. & SECRETARY
NORTH WEST COMPANY FUND

March 9, 2001

AUDITORS' REPORT

PRICEWATERHOUSECOOPERS

To the Unitholders of North West Company Fund:
We have audited the consolidated balance sheets of North West Company Fund as at January 27, 2001 and as at January 29, 2000 and the consolidated statements of earnings and retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at January 27, 2001 and January 29, 2000 and the results of its operations and its cash flows for the fiscal years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

March 9, 2001

CONSOLIDATED BALANCE SHEETS (in thousands of Canadian dollars)

	January 27, 2001	January 29, 2000
ASSETS		
Current assets		
Cash	$ 8,588	$ 10,155
Accounts receivable	56,856	49,272
Income taxes recoverable	62	203
Future income taxes (Note 9)	2,695	1,253
Inventories	122,980	114,414
Prepaid expenses	1,069	867
	192,250	176,164
Capital assets (Note 3)	194,448	195,429
Future income taxes (Note 9)	19,212	3,593
Other assets (Note 4)	10,055	12,351
	$ 415,965	$ 387,537
LIABILITIES		
Current liabilities		
Bank advances and short-term notes (Note 5)	$ 49,979	$ 44,676
Accounts payable and accrued	49,200	46,157
Current portion of long-term debt	1,707	1,653
	100,886	92,486
Long-term debt (Note 6)	124,106	125,146
	224,992	217,632
EQUITY		
Capital (Note 7)	145,526	148,587
Retained earnings	41,502	18,182
Cumulative currency translation adjustments (Note 8)	3,945	3,136
	190,973	169,905
	$ 415,965	$ 387,537

Approved by the Trustees and Board

Trustee and Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS & RETAINED EARNINGS (in thousands of Canadian dollars)

	52 weeks ended January 27, 2001	52 weeks ended January 29, 2000
SALES AND OTHER REVENUE	$ 659,032	$ 626,469
Cost of sales, selling and administrative expenses	(595,146)	(566,513)
Earnings before interest, income taxes and amortization	63,886	59,956
Amortization	(21,555)	(20,147)
EARNINGS BEFORE INTEREST AND INCOME TAXES	42,331	39,809
Interest, including interest on long-term debt of $9,375 (1999 $8,616)	(13,236)	(11,701)
Earnings before income taxes	29,095	28,108
Provision for income taxes (Note 9)	(961)	(151)
EARNINGS FOR THE YEAR	28,134	27,957
Retained earnings, beginning of year		
as previously reported	18,182	11,825
Accounting changes (Notes 9 & 12)	16,864	–
as restated	35,046	11,825
Distributions	(21,446)	(21,600)
Premium on units purchased for cancellation (Note 7)	(232)	–
RETAINED EARNINGS, END OF YEAR	$ 41,502	$ 18,182
EARNINGS PER UNIT (Note 10)	$ 1.89	$ 1.86

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of Canadian dollars)

	52 weeks ended January 27, 2001	52 weeks ended January 29, 2000
CASH PROVIDED BY (USED IN)		
Operating Activities		
Earnings for the year	$ 28,134	$ 27,957
Non-cash items		
Amortization	21,555	20,147
Future income taxes	(33)	(1,669)
Amortization of bond warrant proceeds and interest rate fixing payment	(1,245)	(1,624)
Prepaid pension costs	808	244
Gain on sale of investment in transportation company	(765)	–
Gain on foreign exchange from reduction of AC investment	(454)	–
Gain on disposal of capital assets	(218)	(201)
Cash flow from operations	47,782	44,854
Change in other non-cash items	(12,057)	(7,347)
Operating activities	35,725	37,507
Investing Activities		
Purchase of capital assets	(19,133)	(22,777)
Proceeds from sale of investment in transportation company	2,049	–
Proceeds from sale of capital assets	819	2,104
Investing activities	(16,265)	(20,673)
Financing Activities		
Change in bank advances and short-term notes	5,303	3,747
Purchase of units for cancellation	(3,293)	–
Repayment of long-term debt	(1,591)	(462)
Financing activities	419	3,285
Distributions	(21,446)	(21,600)
CHANGE IN CASH	(1,567)	(1,481)
Cash, beginning of year	10,155	11,636
CASH, END OF YEAR	$ 8,588	$ 10,155
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest expense	$ 14,862	$ 14,047
Income taxes	1,062	1,893
Cash Flow From Operations Per Unit	$ 3.21	$ 2.99

notes

TO CONSOLIDATED FINANCIAL STATEMENTS - JANUARY 27, 2001

1. ORGANIZATION

The North West Company Fund (NWF) is an unincorporated open-ended mutual fund trust, governed by the laws of the Province of Manitoba and the laws of Canada and created pursuant to a Declaration of Trust. The beneficiaries of the Fund (the "unitholders") are holders of trust units issued by the Fund (the "Trust Units"). The Fund is a limited purpose trust whose purpose is to invest in securities of its wholly owned subsidiary The North West Company Inc. (NWC), administer the assets and liabilities of NWF and make distributions to the unitholders all in accordance with the Declaration of Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Fund include the amounts of its wholly owned subsidiary NWC and NWC's wholly owned subsidiary, Alaska Commercial Company (AC).

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada. All significant intercompany amounts and transactions have been eliminated on consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

The fiscal year ends on the last Saturday in January. Accordingly, the 2000 fiscal year ended January 27, 2001 (52 weeks) and the 1999 fiscal year ended January 29, 2000 (52 weeks). Approximately every five years an additional week of sales and expenses are included in the financial results to bring results back in line with the 52 week year.

Accounts Receivable

In accordance with recognized retail industry practice, accounts receivable classified as current assets include customer installment accounts of which a portion will not become due within one year.

Inventories

Inventories are valued at the lower of cost and net realizable value less normal profit margins. The cost of inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at rates which will fully amortize the assets over their estimated useful lives, as follows:

Buildings	2% - 5%
Leasehold improvements	5% - 20%
Computer equipment and software	12% - 33%
Fixtures and equipment	8%
Transportation equipment	8% - 20%

Other Assets

The investments in transportation companies are accounted for on the equity basis. Prepayments under lease agreements are being amortized over their respective lease terms. Deferred financing fees are being amortized over the terms of the loan agreements.

Income Taxes

The Fund is an inter vivos trust for income tax purposes. All income of the trust is distributed to unitholders and, as such, no income tax is payable by the trust. Provision for income taxes is recorded in NWC and its subsidiary, at applicable statutory rates.

NWC and AC account for income taxes using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Pensions in Canada

Current service costs under NWC's pension plans are charged to operations as they accrue using the projected benefit method, pro-rated on services. The estimated market value of the pension plan assets is actuarially determined based on a three year moving average. Past service costs, experience gains and losses and net pension assets are amortized over the expected average remaining service life of the employee group to the extent the cumulative unrecognized net gains and losses exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets. The excess of funding payments over pension expense is recorded as an asset.

Unit Appreciation Rights (UARs) Plans

NWC has two UARs plans that are described in Note 14. Compensation expense is accrued annually on UARs issued to senior management. No units of the Fund are issued under these plans.

Employee Savings Plan in Alaska

AC sponsors an employee savings plan covering substantially all employees. Under the terms of the plan, AC is obligated to make a 50% matching contribution up to 3% of eligible compensation, otherwise contributions are discretionary. Contributions to this plan are expensed as incurred.

Foreign Currency Translation

The accounts of Alaskan operations have been translated into Canadian dollars as follows: assets and liabilities, at the year-end exchange rate; revenues and expenses, at the average exchange rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in self-sustaining Alaskan operations and a forward foreign exchange contract are deferred and included in a separate component of equity as a cumulative currency translation adjustment. These cumulative currency translation adjustments are recognized in income when there has been a reduction in the net investment in the self-sustaining foreign operation.

Interest Rate Swap Contracts

The interest rate differentials to be received or paid under interest rate contracts are recognized in income over the life of the contracts as adjustments to interest expense.

3. CAPITAL ASSETS (in thousands of Canadian dollars)

Year Ended	January 2001		January 2000	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 6,174	$ –	$ 5,985	$ –
Buildings & leasehold improvements	182,440	61,024	175,878	52,705
Fixtures & equipment	149,889	83,031	136,812	70,541
	$338,503	$144,055	$318,675	$123,246
Net Book Value		$194,448		$195,429

4. OTHER ASSETS (in thousands of Canadian dollars)

Year Ended	January 2001	January 2000
Investments in transportation companies	$ 3,472	$ 4,935
Prepaid pension costs	589	1,397
Prepayments under lease agreements	810	874
Long-term receivable	2,457	2,171
Other*	2,727	2,974
	$10,055	$12,351

*Other includes deferred financing fees, redeemable deposits with suppliers, and a mortgage receivable.

5. BANK ADVANCES AND SHORT-TERM NOTES

The Canadian operation has operating lines of credit of $100 million. These lines of credit have been obtained by NWC on a secured basis as outlined in Note 6.

The Alaskan operation has an operating line of credit of $4 million U.S. secured by a guarantee of NWC.

6. LONG-TERM DEBT (in thousands of Canadian dollars)

Year Ended	January 2001	January 2000
Bonds	$112,000	$112,000
Deferred warrant proceeds	1,968	3,213
Forward foreign exchange receivable	(910)	(2,308)
U.S. real estate loans	6,834	6,780
Manitoba Development Corporation	3,750	5,000
U.S. obligation under capital lease	2,171	2,114
	125,813	126,799
Less: Current portion	1,707	1,653
	$124,106	$125,146

On August 28, 1995, NWC issued $112 million of senior bonds at a blended interest rate of 12.36%, due August 28, 2002. Interest is payable semi-annually on February 28 and August 28. These bonds were originally issued on an unsecured basis. On March 27, 1997, when the Plan of Arrangement creating NWF became effective, the following security was granted to senior bondholders and the banks providing NWC's Canadian operating lines of credit:

- General security agreement of NWC and its subsidiaries to each of the bondholders and banks;
- Debenture of NWC to the bondholders and banks and pledge thereof; and
- Pledge of securities of subsidiaries of NWC to the bondholders and banks.

Deferred warrant proceeds, less expenses, represent an amount received related to the issuance of the bonds and are being amortized to income over their term resulting in an effective interest rate of 9.64% (1999 - 9.56%).

The Company has the following financial arrangements in place including interest rate swap arrangements and a forward foreign exchange transaction with respect to the bonds.

1. A forward foreign exchange contract was entered into whereby $42.828 million was effectively converted, on August 28, 1995, into $30 million U.S. This transaction, which terminates on August 28, 2002, results in NWC paying U.S. dollars at a fixed rate and receiving Canadian dollars at the same fixed rate which is equal to the bond interest rate.
2. An interest rate swap was entered into for $30.750 million U.S. whereby the U.S. dollar fixed rate debt effectively created in #1 was converted from fixed rate debt to floating rate debt. This swap terminates on August 28, 2002 and NWC pays a floating rate that is approximately 0.42% above the three-month London Interbank Offered Rate (LIBOR).
3. An interest rate swap for $32.122 million was entered into on August 28, 1995, whereby these funds were converted from fixed rate debt to floating rate debt. This swap, which terminates on August 28, 2002, was subsequently increased to $52.122 million on August 28, 1998. On August 28, 2000, an additional interest rate swap for $21.2 million was entered into, increasing the total Canadian interest rate swaps to $73.322 million. NWC pays a floating rate that is approximately 0.29% above the three-month Canadian Banker's Acceptance rate.

As a result of these arrangements, NWC is subject to interest rate fluctuations on the full amount of its bond proceeds. Furthermore, NWC is subject to foreign currency fluctuations on the interest payments pertaining to the forward foreign exchange transaction and the U.S. interest rate swap.

The Alaska Industrial and Economic Development Export Authority (AIDEA) and two Alaskan-based banks have provided the U.S. real estate loans to assist in the financing of new stores. The remaining term of the loans is 9 years and the loans bear interest rates equivalent to 90-day commercial paper plus 2.6% for the AIDEA loans which represent 80% of the principal. The interest on the bank portion of these loans is approximately prime U.S. plus 0.75%. These loans are secured by the stores and related equipment.

The first installment payment of $1.25 million has been made against the Manitoba Development Corporation loan of $5 million. This loan was provided to assist in the financing of the Winnipeg Retail Service Centre. The loan bears interest at the rate charged by the Manitoba Government to Crown Corporations and is repayable in four equal annual payments, which commenced December 31, 2000. The final payment is due December 31, 2003. The loan is secured by a first fixed charge against the leasehold title to the land, a first fixed charge against the building, and a first fixed charge on all present and future processing equipment connected with the project. Interest is forgiven if NWC attains agreed upon annual job creation targets. The Company anticipates that the agreed targets will be met; accordingly, no interest has been accrued.

The U.S. obligation under a capital lease is repayable in blended principal and interest payments of $200,000 U.S. annually. The obligation will be fully repaid on October 31, 2013.

The bonds and related swap arrangements are the only financial instruments with fair values that vary significantly from carrying value. The fair value of the bonds as at January 27, 2001 was $16.4 million (2000 - $11.8 million) higher than the carrying value. However, this is offset by the fair value of $16.4 million (2000 - $11.8 million) in favor of NWC on the interest rate swap arrangements and the foreign exchange transaction with a credit worthy counterparty.

The Company's interest rate risk is directly attributed to its bank advances and short-term notes as well as its long-term debt.

7. CAPITAL (in thousands of Canadian dollars)

Authorized

The Fund has an unlimited number of units.

Year Ended	January 2001		January 2000	
	Units (000's)		Units (000's)	
Issued				
Balance, beginning of year	15,000	$148,587	15,000	$148,587
Issuer Bid	(309)	(3,061)	–	–
Balance, end of year	14,691	$145,526	15,000	$148,587

Normal Course Issuer Bid

On March 27, 2000, the Fund commenced a new normal course issuer bid program on the Toronto Stock Exchange. Purchases will be limited to a maximum of 750,000 units with no more than 2% of the outstanding units repurchased in any 30 day period and with the price being market at the time of acquisition. The program will terminate on March 23, 2001, or on such earlier date as maximum purchases are completed. To January 27, 2001 the Fund purchased 309,000 units.

8. CUMULATIVE CURRENCY TRANSLATION ADJUSTMENTS (in thousands of Canadian dollars)

Year Ended	January 2001	January 2000
Balance, beginning of year	$3,136	$3,705
Movement in exchange rate	1,263	(569)
Reduction in net investment in AC	(454)	–
Balance, end of year	$3,945	$3,136

The cumulative currency translation adjustments account represents the net changes due to exchange rate fluctuations in the equivalent Canadian dollar book values of the net investment in self-sustaining Alaskan operations since the date of acquisition. The change in this account as at January 27, 2001 is attributable to the weakening of the Canadian dollar relative to the U.S. dollar during the year. In addition, an exchange gain was realized on the reduction of $3 million U.S. in the Company's net investment in AC during the year.

9. INCOME TAXES (in thousands of Canadian dollars)

Effective January 31, 2000, the Company changed its method of accounting for income taxes from the deferral method to the liability method as required by the new Canadian Institute of Chartered Accountants standard 3465. Future income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The liability method requires that accumulated tax balances be adjusted to reflect changes in the tax rates. This standard was applied retroactively, however, as permitted under the new rules, comparative financial information has not been restated.

The cumulative effect of this change as of January 31, 2000 was an increase in the future tax asset of $16.9 million and a corresponding increase in retained earnings.

Significant components of the Company's future tax assets and liabilities as of January 27, 2001 are as follows:

Future tax assets	
Non-capital loss carry forwards	$12,266
Tax values of capital assets in excess of accounting values	8,101
Provisions and other temporary differences	3,294
Less: Valuation allowance	(1,500)
	22,161
Future tax liabilities	
Deferred pension costs	254
Net future tax asset	$21,907
Comprised of	
Current	$ 2,695
Long-term	19,212
	$21,907

Income tax expense differs from the amounts which would be obtained by applying the combined statutory income tax rate to earnings due to the following:

Year Ended	Liability method January 2001	Deferral method January 2000
Earnings before income taxes	$29,095	$28,108
Combined statutory income tax rate	43.2%	44.2%
Income taxes based on combined statutory income tax rate	12,569	12,424
Increase (decrease) in income taxes resulting from:		
Large corporation tax	660	525
Amounts not subject to income tax	77	(874)
Income tax deductions on interest paid to the Fund	(9,472)	(9,693)
Utilization of previously unrecognized U.S. income tax losses on current year income	(2,112)	(2,042)
Benefit of previously unrecognized U.S. losses and temporary differences	(4,333)	–
Recognition of Canadian income tax rate reduction on future income taxes	1,907	–
Valuation allowance	1,500	–
Other	165	(189)
Provision for income taxes	$ 961	$ 151
Effective income tax rate	3.3%	0.5%

Significant components of the provision for income taxes are as follows:

Year Ended	January 2001	January 2000
Current income tax expense	$ 994	$1,820
Future income tax expense (benefit) relating to:		
Temporary differences and loss carryforwards	893	(1,669)
Recognition of previously unrecognized U.S. losses and temporary differences	(4,333)	–
Recognition of Canadian income tax rate reduction on future income taxes	1,907	–
Valuation allowance	1,500	–
Provision for income taxes	$ 961	$ 151

10. EARNINGS PER UNIT

Earnings per unit are based on the weighted-average number of units outstanding during the year.

11. SEGMENTED INFORMATION

(in thousands of Canadian dollars)

The Company operates predominantly within the retail industry in northern Canada and Alaska. The following information is presented for the two business segments of NWC:

Year Ended	January 2001	January 2000
Sales and other revenue		
Canada	$ 502,756	$ 478,508
Alaska	156,276	147,961
Total	659,032	626,469
Earnings before interest, income taxes, and amortization		
Canada	54,534	51,075
Alaska	9,352	8,881
Total	63,886	59,956
Earnings before interest and income taxes		
Canada	35,966	33,788
Alaska	6,365	6,021
Total	42,331	39,809
Identifiable assets		
Canada	290,396	274,446
Alaska	76,369	66,934
Total	366,765	341,380

12. EMPLOYEE FUTURE BENEFITS

(in thousands of Canadian dollars)

Effective January 31, 2000, NWC changed its accounting policy and adopted the new Canadian Institute of Chartered Accountants Handbook section 3461 recommendations on accounting for employee future benefits. Previously the Company had been accounting for its defined benefit plans using a long-term discount rate to measure its accrued benefit obligation. Effective January 31, 2000, the Company began using a market discount rate to measure its accrued benefit obligation. The unamortized transitional asset at January 31, 2000 is being amortized over the expected average remaining service lives of the employees. The requirements of the standard were adopted on a prospective basis. The prospective adoption did not have a significant effect on net earnings in 2000.

The Company sponsors both defined benefit and defined contribution pension arrangements covering substantially all employees. The Company uses actuarial reports prepared by independent actuaries for funding and accounting purposes. The following significant actuarial assumptions were employed to determine the periodic pension expense and the accrued benefit obligations:

Year Ended	January 2001	January 2000
Expected long-term rate of return on plan assets (%)	7.0	7.0
Discount rate (%)	7.0	7.0
Rate of compensation increase (%)	4.5	5.0

The Company's net benefit plan expense is as follows:

Year Ended	January 2001	January 2000
Current service cost	$1,563	$1,218
Interest cost	2,616	2,372
Expected return on plan assets	(2,904)	(2,850)
Amortization of net transitional asset	(308)	–
Amortization of other items	(4)	(345)
Expected employee contributions	(87)	(83)
Net benefit plan expense	$ 876	$ 312

Information about the Company's defined pension benefit plans, in aggregate, is as follows:

Year Ended	January 2001	January 2000
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$38,213	$32,908
Current service cost	1,563	1,218
Interest cost	2,616	2,372
Actuarial (gains) losses	(1,507)	3,384
Benefits paid	(1,669)	(1,669)
Accrued benefit obligation, end of year	$39,216	$38,213
Plan assets		
Estimated market value of plan assets, beginning of year	$42,454	$41,122
Expected return on plan assets	2,904	2,850
Expected employer contributions	68	68
Expected employee contributions	87	83
Expected benefits paid	(1,669)	(1,669)
Estimated market value of plan assets, end of year	$43,844	$42,454
Funded status – plan surplus	$ 4,628	$ 4,627
Unamortized net actuarial gains	–	(3,230)
Unamortized past service costs	(117)	–
Unamortized net transitional asset	(3,922)	–
Net accrued benefit asset	$ 589	$ 1,397

AC maintains an employee savings plan for substantially all of its employees and recorded an expense of $134,000 U.S. (1999 - $132,000 U.S.) for this plan.

13. OPERATING LEASE COMMITMENTS

In 1992, the Company entered into an agreement to lease the land on which the Winnipeg Retail Service Centre is located from the City of Winnipeg for $1 per year for 15 years subject to attaining agreed-upon job creation targets. The Company anticipates that the agreed targets will be met, accordingly, no additional lease payments have been accrued. The Company is obligated to buy the land for the greater of $1,710,000 or fair market value at August 31, 2007.

The Company has future commitments under operating leases as follows:

Years Ending January	Minimum Lease Payments (in thousands of Canadian dollars)
2002	$ 8,128
2003	7,291
2004	6,519
2005	5,411
2006	5,007
Thereafter	47,703

14. UNIT APPRECIATION RIGHTS (UARs) PLANS

The Company has two UARs plans, non-contingent and performance contingent, which form part of the long-term incentive program for senior management. UARs are granted to senior management at the discretion of the Board. Compensation expense incurred during the year under the plan was $37,000 compared to a recovery of $294,000 in 1999.

Non-Contingent Plan

A summary of the Company's non-contingent plan and changes during the year is presented below:

Year Ended	January 2001		January 2000	
	UARs (000's)	Price*	UARs (000's)	Price*
Outstanding at beginning of year	717	$13.41	757	$14.07
Granted	40	10.84	140	13.87
Exercised	(10)	11.80	(25)	11.52
Forfeited	(66)	13.52	(155)	17.34
Outstanding at end of year	681	$13.30	717	$13.41
UARs exercisable at year-end	280		158	

*Weighted-average

The non-contingent UARs vest over five years and expire after six years. As of January 27, 2001, the 681,250 non-contingent UARs outstanding under this plan have exercise prices between $7.50 and $15.05.

Performance Contingent Plan

The Company grants qualifying senior management UARs where vesting is contingent upon the Company reaching predetermined financial targets for the year ending January 2002 and the personal ownership of units equal to the number of UARs granted. These contingent UARs vest over three years beginning in 2002 and expire after four years.

A summary of the Company's performance contingent plan and changes during the year is presented below:

Year Ended	January 2001		January 2000	
	UARs (000's)	Price*	UARs (000's)	Price*
Outstanding at beginning of year	349	$14.08	316	$14.12
Granted	20	10.84	69	13.87
Forfeited	(64)	13.99	(36)	14.09
Outstanding at end of year	305	$13.88	349	$14.08

*Weighted-average

As of January 27, 2001, the 305,100 performance UARs outstanding under the plan have exercise prices between $10.50 and $15.05.

15. COMPARATIVE AMOUNTS

The comparative amounts have been reclassified to conform with the current year's presentation.

ELEVEN YEAR FINANCIAL SUMMARY (in thousands of Canadian dollars)

Fiscal Year	2000 52 weeks	1999 52 weeks	1998 52 weeks	1997 53 weeks	1996 52 weeks
CONSOLIDATED STATEMENTS OF EARNINGS					
Sales and other revenue – Canadian Operations	$502,756	$478,508	$494,023	$497,997	$474,465
Sales and other revenue – Alaskan Operations	156,276	147,961	135,095	118,713	116,118
Sales and other revenue – Total	659,032	626,469	629,118	616,710	590,583
EBIUT – Canadian Operations	35,966	33,788	38,997	37,953	43,017
EBIUT – Alaskan Operations	6,365	6,021	3,834	1,634	191
EBIUT – Total	42,331	39,809	42,831	39,587	43,208
Amortization – Canadian Operations	18,568	17,287	16,739	15,525	14,181
Amortization – Alaskan Operations	2,987	2,860	2,470	1,986	1,968
Amortization – Total	21,555	20,147	19,209	17,511	16,149
Unusual Items	–	–	20,000	–	–
Interest	13,236	11,701	13,714	12,298	11,843
Income tax provision (recovery)	961	151	(7,028)	6,252	13,507
Earnings (loss)	28,134	27,957	16,145	21,037	17,858
Cash flow	47,782	44,854	52,110	35,992	30,587
Pre-tax cash flow	48,844	46,747	54,731	47,586	41,072
Distributions/Dividends	21,446	21,600	18,750	8,925	6,094
Capital expenditures	19,133	22,777	18,328	28,818	22,994
Change in cash	(1,567)	(1,481)	1,260	6,967	(1,759)
CONSOLIDATED BALANCE SHEETS					
Current assets	$192,250	$176,164	$174,137	$213,659	$184,836
Capital assets	194,448	195,429	197,310	198,074	184,268
Future income taxes	19,212	3,593	2,919	(9,102)	(8,570)
Other assets	10,055	12,351	13,045	13,403	14,632
Current liabilities	100,886	92,486	90,723	121,398	92,585
Long-term debt	124,106	125,146	132,571	134,476	135,228
Equity	190,973	169,905	164,117	160,160	147,353
CONSOLIDATED PER UNIT/SHARE ($)					
Basic and fully diluted earnings before unusual item	$ 1.89	$ 1.86	$ 1.82	$ 1.40	$ 1.18
Earnings (loss) – fully diluted	1.89	1.86	1.08	1.40	1.18
Cash flow	3.21	2.99	3.47	2.40	2.03
Pre-tax cash flow	3.28	3.12	3.65	3.17	2.72
Distributions paid in cash during the year	1.44	1.44	1.00	0.40	0.00
Distributions paid in units during the year	0.00	0.00	0.25	0.00	0.00
Pre-tax equivalent dividend	0.00	0.00	0.00	0.35	0.70
Dividends paid during the year	0.00	0.00	0.00	0.20	0.40
Equity at end of fiscal year	13.00	11.33	10.94	10.68	9.82
Market price at January 31	13.00	12.00	15.50	14.00	11.00
STATISTICS AT END OF FISCAL YEAR					
Number of stores – Canadian	152	152	150	162	159
Number of stores – Alaskan	24	25	23	28	27
Canadian stores selling square feet (000's)	1,019	998	990	1,063	1,026
Alaskan stores selling square feet (000's)	238	235	229	227	229
Canadian sales per average selling square foot	$ 499	$ 481	$ 481	$ 477	$ 466
Alaskan sales per average selling square foot	$ 661	$ 638	$ 592	$ 520	$ 513
Number of employees – Canadian	3,822	3,787	3,823	4,004	3,725
Number of employees – Alaskan	655	655	635	685	645
Average units/shares outstanding (000's)	14,875	15,000	15,000	15,000	15,095
Units/shares outstanding (000's)	14,691	15,000	15,000	15,000	15,000
FINANCIAL RATIOS					
EBIUTDA (%)	9.7	9.6	9.9	9.3	10.1
EBIUT (%)	6.4	6.4	6.8	6.4	7.3
Total return on net assets before unusual item (%)	11.5	11.6	12.1	11.4	13.4
Return on average equity before unusual item (%)	15.2	16.8	17.6	13.9	12.7
Pre-tax distribution as % of prior year's pre-tax cash flow	46.2	39.5	31.5	27.4	30.4
Inventory turnover (times)	3.3	3.4	3.1	3.0	3.0

ELEVEN YEAR FINANCIAL SUMMARY (in thousands of Canadian dollars)

1995 52 weeks	1994 52 weeks	1993 52 weeks	1992 53 weeks	1991 52 weeks	1990 52 weeks	Fiscal Year
						CONSOLIDATED STATEMENTS OF EARNINGS
$470,306	$470,890	$451,014	$447,604	$410,879	$399,698	Sales and other revenue – Canadian Operations
121,728	115,352	97,665	25,106	–	–	Sales and other revenue – Alaskan Operations
592,034	586,242	548,679	472,710	410,879	399,698	Sales and other revenue – Total
34,916	38,383	34,017	32,577	32,054	28,664	EBIUT – Canadian Operations
(2,056)	49	4,037	794	–	–	EBIUT – Alaskan Operations
32,860	38,432	38,054	33,371	32,054	28,664	EBIUT – Total
12,535	10,377	8,949	7,703	7,553	5,911	Amortization – Canadian Operations
2,636	1,828	1,150	170	–	–	Amortization – Alaskan Operations
15,171	12,205	10,099	7,873	7,553	5,911	Amortization – Total
16,129	–	–	–	772	(2,000)	Unusual Items
12,548	10,472	8,457	9,157	11,297	14,371	Interest
9,355	11,721	12,435	9,507	9,130	6,319	Income tax provision (recovery)
(5,172)	16,239	17,162	14,954	12,923	4,575	Earnings (loss)
23,966	26,173	29,283	25,207	20,597	19,644	Cash flow
36,979	40,623	37,989	37,979	21,082	25,142	Pre-tax cash flow
6,466	6,304	5,810	5,182	4,289	4,219	Distributions/Dividends
29,745	58,476	33,304	26,370	11,275	31,484	Capital expenditures
(1,285)	(683)	(6,249)	8,764	(2,080)	1,412	Change in cash
						CONSOLIDATED BALANCE SHEETS
$185,932	$204,253	$182,735	$174,486	$152,200	$168,730	Current assets
179,651	179,822	145,255	122,024	90,014	86,631	Capital assets
(9,587)	(10,930)	(11,782)	(9,542)	(8,310)	(7,406)	Future income taxes
10,364	8,359	3,065	1,902	–	–	Other assets
83,671	135,591	83,788	87,142	94,772	102,370	Current liabilities
142,736	85,939	87,833	66,382	45,000	61,000	Long-term debt
139,953	159,974	147,652	135,346	94,132	83,585	Equity
						CONSOLIDATED PER UNIT/SHARE ($)
$ 0.68	$ 1.00	$ 1.06	$ 1.05	$ 0.93	$ 0.63	Basic and fully diluted earnings before unusual item
(0.32)	1.00	1.06	1.05	0.93	0.35	Earnings (loss) – fully diluted
1.49	1.62	1.82	1.76	1.54	1.46	Cash flow
2.31	2.51	2.59	2.43	2.23	1.94	Pre-tax cash flow
0.00	0.00	0.00	0.00	0.00	0.00	Distributions paid in cash during the year
0.00	0.00	0.00	0.00	0.00	0.00	Distributions paid in units during the year
0.70	0.68	0.63	0.61	0.56	0.56	Pre-tax equivalent dividend
0.40	0.39	0.36	0.35	0.32	0.32	Dividends paid during the year
9.02	9.90	9.13	8.41	6.88	6.29	Equity at end of fiscal year
8.00	9.88	17.25	15.13	16.13	12.38	Market price at January 31
						STATISTICS AT END OF FISCAL YEAR
160	163	166	161	165	166	Number of stores – Canadian
28	28	20	20	0	0	Number of stores – Alaskan
1,009	1,004	949	922	932	904	Canadian stores selling square feet (000's)
223	223	148	148	0	0	Alaskan stores selling square feet (000's)
$ 467	$ 482	$ 482	$ 485	$ 441	$ 442	Canadian sales per average selling square foot
$ 545	$ 622	$ 662	$ 681	$ 0	$ 0	Alaskan sales per average selling square foot
3,779	3,728	3,788	3,649	3,725	3,801	Number of employees – Canadian
704	640	509	467	0	0	Number of employees – Alaskan
16,040	16,164	16,130	14,307	13,353	13,411	Average units/shares outstanding (000's)
15,519	16,164	16,164	16,097	13,673	13,290	Units/shares outstanding (000's)
						FINANCIAL RATIOS
8.1	8.6	8.8	8.7	9.6	8.7	EBIUTDA (%)
5.6	6.6	6.9	7.1	7.8	7.2	EBIUT (%)
9.8	12.4	14.9	16.2	17.2	15.1	Total return on net assets before unusual item (%)
7.0	10.6	12.3	14.6	14.9	5.6	Return on average equity before unusual item (%)
27.9	26.4	26.0	27.5	28.9	23.1	Pre-tax distribution as % of prior year's pre-tax cash flow
2.8	2.8	3.1	3.1	3.0	2.7	Inventory turnover (times)

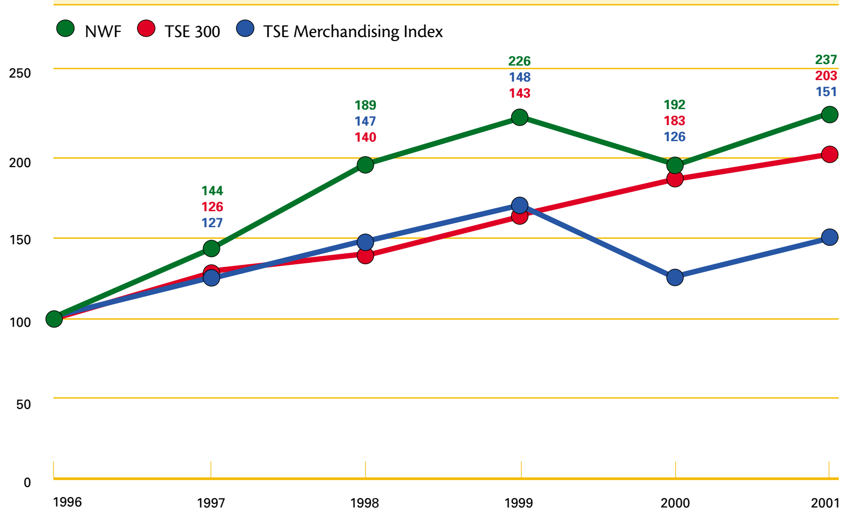
unitholder information

QUARTERLY HISTORY

Fiscal Year	Unit Price High	Unit Price Low	Unit Price Close	Volume	EPU*
2000	**$ 13.00**	**$ 9.80**	**$ 13.00**	**4,843,447**	**$ 1.89**
April 30, 2000	12.25	10.50	11.00	518,281	0.29
July 31, 2000	13.00	10.70	11.30	846,965	0.46
October 31, 2000	11.30	9.80	10.90	1,773,028	0.46
January 31, 2001	13.00	10.25	13.00	1,705,173	0.68
1999	**$ 15.95**	**$ 11.25**	**$ 12.00**	**2,795,000**	**$ 1.86**
April 30, 1999	15.75	13.75	14.75	464,000	0.35
July 31, 1999	15.95	14.00	15.40	489,000	0.57
October 31, 1999	15.50	12.75	13.30	1,063,000	0.43
January 31, 2000	13.50	11.25	12.00	779,000	0.51
1998	**$ 16.65**	**$ 11.55**	**$ 15.50**	**4,603,000**	**$ 1.82**
April 30, 1998	16.25	13.80	15.90	1,909,000	0.19
July 31, 1998	16.65	15.50	15.60	971,000	0.51
October 31, 1998	15.20	11.55	13.60	1,000,000	0.50
January 31, 1999	15.75	13.50	15.50	723,000	0.62

*Earnings per unit before unusual item.

RELATIVE STOCK/UNIT PRICE PERFORMANCE (%)



This chart compares the relative performance of units of North West Company Fund, formerly shares of The North West Company, over the past five years, with the TSE 300 composite index and merchandising sub-index of the TSE 300. The shares were converted on a one-for-one basis into units of the Fund effective March 27, 1997. The index incorporates the reinvestment of dividends and income distributions.

All currency figures in this report are in Canadian dollars, unless otherwise noted.

2001 FINANCIAL CALENDAR

Reporting Dates

First Quarter: May 31, 2001
Second Quarter: September 18, 2001
Third Quarter: December 18, 2001
Fourth Quarter: March 20, 2002

NORTH WEST COMPANY FUND DISTRIBUTION DATES

- March 15, 2001
  Record date: February 15, 2001
- June 15, 2001
  Record date: May 15, 2001
- September 15, 2001
  Record date: August 15, 2001
- December 15, 2001
  Record date: November 15, 2001

ANNUAL MEETING

The Annual Meeting of Unitholders of North West Company Fund will be held on Thursday, May 31, 2001 at 11:30 am in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba.

Transfer Agent and Registrar
CIBC Mellon Trust Company
Winnipeg • Toronto
Toll-Free 1 800 387 0825
www.cibcmellon.ca

Stock Exchange Listing
The Toronto Stock Exchange

Stock Symbol NWF.UN
TIN # T 17 685 782
CUSIP # 662906-10-6

Number of units outstanding at fiscal year end: 14,691,000
Average number of units outstanding in 2000: 14,874,746

THE NORTH WEST COMPANY INC.

Directors

Ian Sutherland [1,5]
Chairman

Edward S. Kennedy
President & C.E.O.

Lloyd I. Barber [2,3]
President Emeritus,
The University of Regina

Donald A. Beaumont [1,3,4]
President,
Beaumont & Associates

Frank J. Coleman [3,4]
President & C.E.O.,
Coleman Group of Companies

Nellie Cournoyea [2,4,5]
Chairperson & C.E.O.,
Inuvialuit Regional Corporation

Raymond Doré [2,3]
Chairman,
MCAP Inc.

Gary J. Lukassen [1,3,4]
Corporate Director

Keith Martell
Chairman,
First Nations Bank of Canada

Stanley McKay [4,5]
Co-Director, Dr. Jessie
Saulteaux Resource Centre

James G. Oborne [1,2,5]
Chairman, Westgate
Capital Management Corp.

T. Iain Ronald [1,2,5]
Corporate Director

Officers

Ian Sutherland
Chairman

Edward S. Kennedy
President & C.E.O.

Gary V. Eggertson
Vice-President, C.F.O.
& Secretary

Scott F. Findlay
Vice-President,
Food Marketing

Leonard G. Flett
Vice-President,
Store Development
& Public Affairs

Carl A. McKay
Vice-President,
Sales & Operations
Traders Division

Karen J. Milani
Vice-President,
Human Resources

James B. Mitchell
Vice-President,
General Merchandise
Marketing

David J. Preddy
Vice-President,
Sales & Operations
Merchants Division

Paul G. Smith
Vice-President,
Logistics &
Supply Chain Services

Terence P. Sweeney
Vice-President,
Information Services

Committees of the Board
1 Executive Committee
2 Corporate Governance & Nominating Committee
3 Audit Committee
4 Human Resources & Compensation Committee
5 Pension Committee

NORTH WEST COMPANY FUND

Trustees

Ian Sutherland
Chairman,
The North West Company Inc.

Kevin R. Bolt
Partner,
Aikins, MacAulay &
Thorvaldson

David G. Broadhurst
President,
Reeve Court Insurance Limited

Officers

Gary V. Eggertson
C.F.O. & Secretary

Reinhard Sedlacek
Treasurer

Principal Subsidiary Company:

ALASKA COMMERCIAL COMPANY

Directors & Officers

Edward S. Kennedy [1,2]
Chairman & C.E.O.

Gerald H. Bittner [1,2]
President

Gary V. Eggertson [1,2]
C.F.O. & Secretary

Robert S. Galosich [2]
Vice-President,
Wholesale Operations

Ian Sutherland [1]
Chairman,
The North West Company Inc.

R. Grant Hodge [1,2]
Vice-President,
Large Store Operations

Reinhard Sedlacek [2]
Treasurer

Rex A. Wilhelm [2]
Vice-President,
Small Store Operations

1 Director
2 Officer

CORPORATE INFORMATION

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The Toronto-Dominion Bank
Bank of Montreal

Registered Office
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Toll-free: 1 800 563 0002

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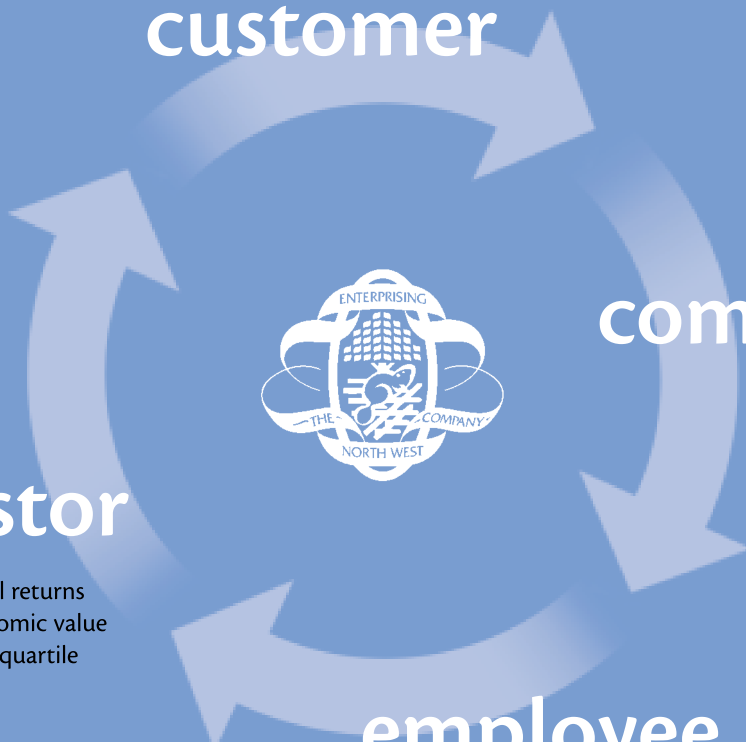
Imagine

The North West Company is recognized as a Caring Company by IMAGINE, an initiative of the Canadian Centre for Philanthropy. IMAGINE-designated companies have a policy of donating at least 1% of average pre-tax profits to charitable and nonprofit organizations.

At The North West Company, the commitment of employees goes far beyond merely donating funds. Employees devote their time and expertise, both on and off the job, to ensure the success of various community organizations and projects.

Printed in Canada on recyclable, acid-free paper.

values worth striving for...



customer

...providing a superior selection of food and everyday needs, a broad range of direct order products and accessible services – all at fair, competitive prices.

community

...actively supporting local events and community development initiatives.

employee

...fostering a spirit of enterprise and reward for performance in an environment characterized by openness, mutual respect and encouragement.

investor

...delivering total returns that create economic value and achieve top quartile performance.

Front Cover
Christopher Howard signals the optimism with which we view our future in the North. His parents, Norman and Susan Howard, are both staff members at our Moose Factory *Northern* store.