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.

Ultimate 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 quarterly 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 S. KENNEDY, PRESIDENT & C.E.O.
THE NORTH WEST COMPANY INC.

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

February 28, 2003

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 25, 2003 and as at January 26, 2002 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 25, 2003 and January 26, 2002 and the results of its operations and its cash flows for the fiscal years then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

February 28, 2003

Consolidated Balance Sheets

($ in thousands)	January 25, 2003	January 26, 2002
ASSETS		
Current assets		
Cash	$ 10,451	$ 9,976
Accounts receivable	64,762	65,917
Inventories	127,449	134,392
Future income taxes (Note 10)	4,964	8,171
Prepaid expenses	2,274	1,500
	209,900	219,956
Property and equipment (Note 3)	188,194	194,025
Future income taxes (Note 10)	9,322	9,358
Other assets (Note 4)	10,775	9,836
	$ 418,191	$ 433,175
LIABILITIES		
Current liabilities		
Bank advances and short-term notes (Note 5)	$ 28,157	$ 26,071
Accounts payable and accrued	60,495	58,957
Income taxes payable	1,500	3,079
Bonds due within one year	–	112,000
Current portion of long-term debt (Note 6)	1,843	3,910
	91,995	204,017
Long-term debt (Note 6)	106,812	9,634
	198,807	213,651
EQUITY		
Capital (Note 7)	165,205	165,205
Unit purchase loan plan (Note 8)	(3,365)	–
Retained earnings	52,165	49,142
Cumulative currency translation adjustments (Note 9)	5,379	5,177
	219,384	219,524
	$ 418,191	$ 433,175

See accompanying notes to consolidated financial statements.

Approved by the Trustees and Board

IAN SUTHERLAND
TRUSTEE AND DIRECTOR

EDWARD S. KENNEDY
DIRECTOR

Consolidated Statements of Earnings & Retained Earnings

($ in thousands)	52 weeks ended January 25, 2003	52 weeks ended January 26, 2002
SALES	$ 749,759	$ 704,043
Cost of sales, selling and administrative expenses	(677,488)	(633,508)
Net earnings before amortization, interest and income taxes	72,271	70,535
Amortization	(22,672)	(22,694)
	49,599	47,841
Interest, including interest on long-term debt of $5,891 (2001 $8,121)	(6,681)	(10,501)
	42,918	37,340
Provision for income taxes (Note 10)	(8,449)	(8,325)
NET EARNINGS FOR THE YEAR	34,469	29,015
Retained earnings, beginning of year	49,142	41,502
Distributions	(31,446)	(21,375)
RETAINED EARNINGS, END OF YEAR	$ 52,165	$ 49,142
NET EARNINGS PER UNIT (Note 11)		
Basic	$ 2.15	$ 1.95
Diluted	$ 2.14	$ 1.95

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

($ in thousands)	52 weeks ended January 25, 2003	52 weeks ended January 26, 2002
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings for the year	$ 34,469	$ 29,015
Non-cash items		
Amortization	22,672	22,694
Future income taxes	3,097	4,592
Amortization of deferred financing costs	(645)	(1,246)
Pension expense	353	931
Gain on foreign exchange from reduction of AC investment	(92)	–
Gain on disposal of property and equipment	(670)	(213)
Cash flow from operations	59,184	55,773
Change in other non-cash items	176	(7,018)
Operating activities	59,360	48,755
Investing Activities		
Purchase of property and equipment	(20,128)	(20,427)
Proceeds from disposal of property and equipment	1,944	512
Investing activities	(18,184)	(19,915)
Financing Activities		
Change in bank advances and short-term notes	2,260	(23,908)
Repayment of bonds	(112,000)	–
Proceeds from issuance of senior notes	100,841	–
Proceeds from issuance of units	–	19,679
Net purchase of units for unit purchase loan plan	(3,365)	–
Deferred financing costs	(1,302)	–
Repayment of long-term debt	(1,978)	(1,848)
Distributions	(25,157)	(21,375)
Financing activities	(40,701)	(27,452)
NET CHANGE IN CASH	475	1,388
Cash, beginning of year	9,976	8,588
CASH, END OF YEAR	$ 10,451	$ 9,976
Supplemental disclosure of cash paid for:		
Interest expense	$ 10,105	$ 13,060
Income taxes	6,961	1,184

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements January 25, 2003

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 are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise noted.

These consolidated financial statements include the accounts of NWF, NWC and its wholly owned subsidiaries (the 'Company'), Alaska Commercial Company (AC) and the group of Tora companies, operating as Giant Tiger stores. All significant inter-company amounts and transactions have been eliminated on consolidation.

Fiscal Year The fiscal year ends on the last Saturday in January. Accordingly, the 2002 fiscal year ended January 25, 2003 (52 weeks) and the 2001 fiscal year ended January 26, 2002 (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.

Revenue Recognition Revenue on the sale of goods and services is recorded at the time the sale is made to the customer. Service charges on credit card receivables are accrued each month on balances outstanding at each account's billing date.

Accounts Receivable 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 warehouse inventories is determined by the average cost method. The cost of retail inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories.

Property and Equipment Property and equipment are recorded at cost. Amortization is provided using the straight-line method over their estimated useful lives, as follows:

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

Other Assets The investments in transportation companies are accounted for on the equity basis. Deferred financing costs are being amortized over the life of the instrument. Prepayments under lease agreements are being amortized over their respective lease terms.

Unit Purchase Loan Plan Loans issued to officers to purchase units of the Fund under the unit purchase loan plan are treated as a reduction of equity.

Foreign Currency Translation The accounts of Alaskan operations have been translated into Canadian dollars using the current rate method whereby assets and liabilities are translated at the year-end exchange rate and revenues and expenses at the average rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in self-sustaining Alaskan operations and the portion of the U.S. denominated debt designated as a hedge against this investment 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.

Income Taxes The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to unitholders and, as such, no income tax is payable by the Fund.

The Company accounts 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. The provision for income taxes is recorded in the Company at applicable statutory rates.

Pensions in Canada The Company accrues its obligations under employee benefit plans and related costs, net of plan assets. Current service costs are charged to operations as they accrue using the projected benefit method, pro-rated on services and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees. For the purpose of calculating the expected returns on plan assets, those assets are valued at market related value based on a five year moving average. Past service costs and the net transitional asset are amortized on a straight line basis over the average remaining service period of employees. The excess of the net experience gain (loss) over 10% of the greater of the benefit obligation and the market related value of the plan assets is amortized over the average remaining service period of active employees.

Employee Savings Plan in Alaska AC sponsors an employee savings plan covering all employees with at least six months service. 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.

Unit Appreciation Rights (UARs) Plans
Compensation expense under the Company's UARs plans is charged to operations as it accrues using the fair value method. No units of the Fund are issued under these plans.

Financial Instruments The Company uses various financial instruments to reduce its exposure to fluctuations in interest and U.S. currency exchange rates. The Company does not hold or issue any derivative financial instruments for speculative trading purposes. The interest differential to be paid or received under interest rate swap agreements is recognized over the life of the contracts as an adjustment to interest expense. The Company translates its U.S. denominated debt that is hedged by cross-currency swaps at the rate implicit in the swap agreement.

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. Future events could alter such estimates in the near term.

3. PROPERTY AND EQUIPMENT ($ in thousands)

Year Ended	January 2003		January 2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 6,307	$ –	$ 6,546	$ –
Buildings & leasehold improvements	195,262	77,513	192,104	69,788
Fixtures & equipment	113,680	61,073	109,990	55,185
Computer equipment & software	57,596	46,065	50,984	40,626
	$372,845	$184,651	$359,624	$165,599
Net Book Value		$188,194		$194,025

4. OTHER ASSETS ($ in thousands)

Year Ended	January 2003	January 2002
Investments in transportation companies	$ 3,686	$3,997
Deferred financing costs	1,225	144
Prepayments under lease agreements	1,028	746
Long-term receivable	2,678	2,535
Other*	2,158	2,414
	$10,775	$9,836

* Other includes redeemable deposits with suppliers and a mortgage receivable.

5. BANK ADVANCES AND SHORT-TERM NOTES

The Canadian operation has operating loan facilities of $85 million at interest rates ranging from prime to prime plus .75%. These facilities are secured by a floating charge against the assets of the Company on a parri-passu basis with the senior note holders. As at January 25, 2003, the Company had drawn $25.5 million.

The Alaskan operation has an operating loan facility of US$4 million at an interest rate of prime plus 1.0% secured by a floating charge against the assets of the Company. As at January 25, 2003, the Alaskan operations had drawn US$1.8 million.

6. LONG-TERM DEBT ($ in thousands)

Year Ended	January 2003	January 2002
Senior notes[1]	$ 99,597	$ –
Bonds[2]	–	112,000
Deferred warrant proceeds[2]	–	722
Forward foreign exchange payable[2]	–	1,368
Real estate loans[3]	5,838	6,782
Manitoba Development Corporation loan[4]	1,250	2,500
Obligation under capital lease[5]	1,970	2,172
	108,655	125,544
Less: Bonds due within one year[2]	$ –	$ 112,000
Current portion of long-term debt	1,843	3,910
	1,843	115,910
	$106,812	$ 9,634

6. LONG-TERM DEBT (CONTINUED)

1. The US$65 million senior notes mature on June 15, 2009 and bear an interest rate of 5.89% payable semi-annually. Repayment of 20% of the principal is required on June 15, 2007 and June 15, 2008. The notes are secured by a floating charge against the assets of the Company. The Company has entered into various cross currency interest rate and interest rate swaps resulting in floating interest costs on its senior notes. After giving effect to the interest rate swaps and cross currency interest rate swaps the effective interest rate is 5.5%.
2. The bonds became due and were paid on August 28, 2002. Deferred warrant proceeds, less expenses, represented the amount received related to the issuance of the bonds and were fully amortized to income by August 28, 2002. In addition, the foreign exchange contract was settled on August 28, 2002.
3. The Alaska Industrial and Economic Development Export Authority (AIDEA) and two Alaskan-based banks have provided real estate loans of US$3.8 million (2001 — US$4.2 million) to assist in the financing of new stores. The loans mature August 1, 2017 and bear interest at the equivalent to 90-day commercial paper plus 2.6% for the AIDEA loans that represent 80% of the principal. The interest on the bank portion of these loans is approximately U.S. prime plus 0.65%. Blended monthly payments totaling US$631,000 annually are required to be made on these loans. These loans are secured by the Alaskan store buildings and related equipment.
4. The Manitoba Development Corporation loan bears interest at the rate charged by the Manitoba Government to Crown Corporations and is repayable in four equal annual payments of $1,250,000, with the final payment 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 the Company attains agreed upon annual job creation targets. Management anticipates that the agreed targets will be met; accordingly, no interest has been accrued.
5. The obligation under a capital lease of US$1.3 million (2001 — US$1.4 million) is repayable in blended principal and interest payments of US$200,000 annually. The obligation will be fully repaid on October 31, 2013.

The Company's principal payments of long-term debt over the next five years are as follows:

Years Ending January	($ in thousands)
2004	$ 1,843
2005	592
2006	604
2007	486
2008	20,320

7. CAPITAL ($ in thousands)

Authorized The Fund has an unlimited number of units.

Year Ended	January 2003		January 2002	
	Units (000's)		Units (000's)	
Issued				
Balance, beginning of year	16,126	$165,205	14,691	$145,526
Treasury Offering	–	–	1,435	19,679
Balance, end of year	16,126	$165,205	16,126	$165,205

Treasury Offering On December 5, 2001, the Fund completed a treasury equity issue of 1,435,000 units at $14.75 per unit for proceeds of $19.7 million.

8. UNIT PURCHASE LOAN PLAN

During the year the Company issued loans to officers to purchase units under the unit purchase loan plan. These loans are non-interest bearing and are repayable from the after tax distributions or if the officer sells the units or leaves the Company. The loans are secured by a pledge of 178,457 units of NWF with a quoted value of $3,710,121. Loans receivable at January 25, 2003 of $3,365,239 are recorded as a reduction of equity. Additional loans may be made over the next four years. The maximum value of the loans under the plan will not exceed $7,500,000.

9. CUMULATIVE CURRENCY TRANSLATION ADJUSTMENTS ($ in thousands)

Year Ended	January 2003	January 2002
Balance, beginning of year	$5,177	$3,945
Movement in exchange rate	294	1,232
Reduction in net investment in AC	(92)	–
Balance, end of year	$5,379	$5,177

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. A portion of the U.S. denominated senior notes in the amount of US$43 million has been designated as a hedge against the Alaskan operations. A foreign exchange gain was realized on the reduction of US$4 million in the Company's net investment in AC during the year.

10. INCOME TAXES ($ in thousands)

Significant components of the Company's future tax assets are as follows:

Year Ended	January 2003	January 2002
Future tax assets		
Non-capital loss carryforwards	$ 1,919	$ 5,439
Tax values of capital assets in excess of accounting values	9,109	8,321
Provisions and other temporary differences	3,258	3,769
Net future tax asset	$ 14,286	$ 17,529
Comprised of		
Current	$ 4,964	$ 8,171
Long-term	9,322	9,358
	$ 14,286	$ 17,529

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	January 2003	January 2002
Net earnings before income taxes	$42,918	$37,340
Combined statutory income tax rate	39.91%	42.75%
Income taxes based on combined statutory income tax rate	17,129	15,963
Increase (decrease) in income taxes resulting from:		
Large corporation tax	684	711
Tax reassessments of prior years	–	946
Amounts not subject to income tax	215	100
Income tax deductions on interest paid to the Fund	(10,287)	(9,445)
Recognition of Canadian income tax rate reduction on future income taxes	349	842
Valuation allowance reversal	–	(1,500)
Other	359	708
Provision for income taxes	$ 8,449	$ 8,325
Effective income tax rate	19.7%	22.3%

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

Year Ended	January 2003	January 2002
Current income tax expense	$ 5,352	$ 3,733
Future income tax expense (benefit) relating to:		
Temporary differences and loss carryforwards	2,748	5,250
Recognition of Canadian income tax rate reduction on future income taxes	349	842
Valuation allowance reversal	–	(1,500)
Provision for income taxes	$ 8,449	$ 8,325

11. NET EARNINGS PER UNIT

Basic net earnings per unit are calculated based on the weighted-average units outstanding of 16,007,481 (2001 — 14,896,000). The diluted net earnings per unit takes into account the additional income that would have been earned by the Company had interest costs not been incurred on the unit purchase loan plan and had the respective units been outstanding during the year.

Year Ended	January 2003	January 2002
($ and units in thousands except diluted earnings per unit)		
Diluted earnings per unit calculation:		
Numerator for basic earnings per unit	$34,469	$29,015
After tax interest cost of unit purchase loan plan	77	–
Numerator for diluted earnings per unit	$34,546	$29,015
Weighted average units outstanding	16,007	14,896
Effect of diluted unit purchase loan plan	119	–
Denominator for diluted earnings per unit	16,126	14,896
Diluted earnings per unit	$ 2.14	$ 1.95

12. SEGMENTED INFORMATION ($ in thousands)

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

Year Ended	January 2003	January 2002
Sales		
Canada	$565,747	$532,349
Alaska	184,012	171,694
Total	749,759	704,043
Net earnings before amortization, interest and income taxes		
Canada	59,163	60,337
Alaska	13,108	10,198
Total	72,271	70,535
Net earnings before interest and income taxes		
Canada	40,187	41,036
Alaska	9,412	6,805
Total	49,599	47,841
Identifiable assets		
Canada	280,341	287,593
Alaska	75,855	83,546
Total	356,196	371,139

13. EMPLOYEE FUTURE BENEFITS ($ in thousands)

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 accrued pension benefits and the market value of the plans' net assets were last determined by actuarial valuation as at January 1, 2002. The following significant actuarial assumptions were employed to determine the periodic pension expense and the accrued benefit obligations:

Year ended	January 2003	January 2002
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%	4.5%

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

Year Ended	January 2003	January 2002
Current service cost	$ 1,790	$1,678
Interest cost	2,679	2,748
Expected return on plan assets	(2,636)	(3,017)
Amortization of net transitional asset	(308)	(308)
Amortization of past service cost	(11)	(11)
Employee contributions	(45)	(91)
Net benefit plan expense	$ 1,469	$ 999

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

Year Ended	January 2003	January 2002
Accrued benefit obligation		
Balance, beginning of year	$ 41,973	$39,216
Current service cost	1,790	1,678
Interest cost	2,679	2,748
Benefits paid	(3,139)	(1,669)
Actuarial gains	(3,930)	–
Balance, end of year	$ 39,373	$41,973
Plan assets		
Fair value, beginning of year	$ 45,351	$43,844
Return (loss) on plan assets	(8,521)	3,017
Employer contributions	1,116	68
Employee contributions	45	91
Benefits paid	(3,139)	(1,669)
Fair value, end of year	$ 34,852	$45,351
Funded status		
Surplus (deficit)	$ (4,521)	$ 3,378
Unamortized experience losses	7,227	–
Unamortized past service costs	(95)	(106)
Unamortized net transitional asset	(3,306)	(3,614)
Net accrued liability	$ (695)	$ (342)

The Company maintains an employee savings plan for substantially all of its U.S. employees and recorded an expense of US$118,000 (2001 — US$106,000) for this plan.

14. COMMITMENTS AND CONTINGENCIES

Canada Customs and Revenue Agency is currently conducting an audit for the taxation years 1996 – 1999. The Company has not received notices of reassessment with respect to all of the matters raised, however, management has recorded a provision based on their estimate of the potential liability. It is the opinion of management that the pending reassessments will be resolved without material effect on the financial statements.

On July 10, 2002, the Company signed a 30-year Master Franchise Agreement with *Giant Tiger Stores Limited,* based in Ottawa, Ontario. The agreement grants the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, Giant Tiger will provide product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company will be responsible for opening, owning and operating the stores. The Company's exclusivity right requires that a minimum number of Giant Tiger stores be opened each year, based on an expected rollout of 72 stores over the term of the agreement. As at January 25, 2003, the Company has opened three Giant Tiger stores, with one located in Thompson and the other two in Winnipeg, Manitoba.

In 1992, the Company entered into an agreement to lease the land on which the Winnipeg Logistics Service Centre is located from the City of Winnipeg for $1 per year for 15 years subject to attaining agreed-upon job creation targets. Management 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)
2004	$10,969
2005	9,367
2006	8,165
2007	6,914
2008	6,490
Thereafter	50,806

15. 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 $1,773,000 (2001 — $1,735,000).

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

Year Ended	January 2003		January 2002	
	UARs (000's)	Price*	UARs (000's)	Price*
Outstanding at beginning of year	502	$13.79	681	$13.30
Exercised	(195)	19.55	(168)	16.12
Forfeited	(13)	13.84	(11)	13.97
Outstanding at end of year	294	$13.79	502	$13.79
UARs exercisable at year-end	148		232	

* Weighted-average

The non-contingent UARs vest over five years and expire after six years. As of January 25, 2003, the 294,000 non-contingent UARs outstanding under this plan have exercise prices between $10.50 and $15.05.

Performance Contingent Plan The Company granted qualifying senior management UARs where vesting was contingent upon reaching predetermined financial targets by January 26, 2002, and the personal ownership of units equal to the number of UARs granted. These contingent UARs commenced vesting in 2002 and vest over three years 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 2003		January 2002	
	UARs (000's)	Price*	UARs (000's)	Price*
Outstanding at beginning of year	52	$14.66	305	$13.88
Exercised	(2)	19.86	(2)	16.19
Forfeited	(20)	14.94	(251)	13.72
Outstanding at end of year	30	$14.53	52	$14.66
UARs exercisable at year-end	14		15	

* Weighted-average

As of January 25, 2003, the 30,000 performance UARs outstanding under the plan have exercise prices between $14.00 and $15.05.

16. FINANCIAL INSTRUMENTS ($ in thousands)

Short-Term Financial Instruments Short-term financial instruments are valued at their carrying amounts included in the balance sheet, which are reasonable estimates of fair value due to the relative short period to maturity of the instruments.

Long-Term Financial Instruments The Company has the following long-term financial instruments outstanding as at January 25, 2003:

	Maturity	Interest Rate[1]	Amount		Fair Value
			US$	CDN$	US$
Debt					
Senior notes	2009	5.89%	65,000	99,597	68,737
			Notional Amount		Favourable (Unfavourable)
Swaps					
US interest rate	2007–2009	LIBOR[2] plus 1.87%	14,000	–	353
Cross currency interest rate	2007–2009	B.A.[3] plus 2.99% to B.A. plus 3.16%	22,000	33,074	(618)

1. Weighted-average 2. London Interbank Offered Rate 3. Bankers' Acceptances

Interest Rate Risk The Company has exposure to interest rate fluctuations on the swapped amount of its senior notes and real estate loans.

Credit Risk The Company is exposed to credit risk, primarily in relation to credit card customer accounts and notes receivable from First Nations governments. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

17. COMPARATIVE AMOUNTS

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