

Delivering on our promise



THE NORTH WEST COMPANY INC. 2011

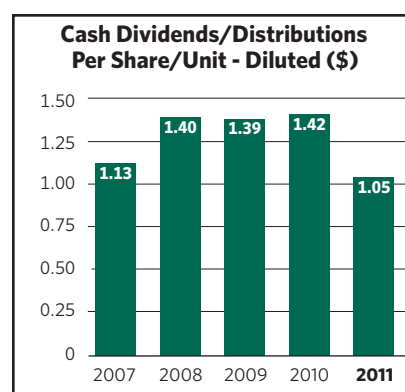
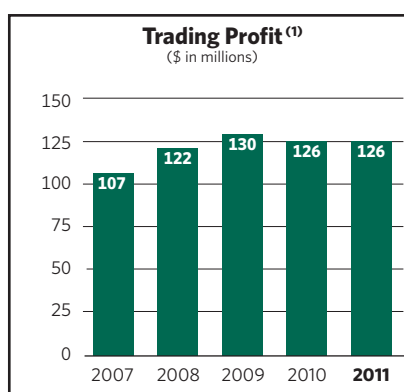
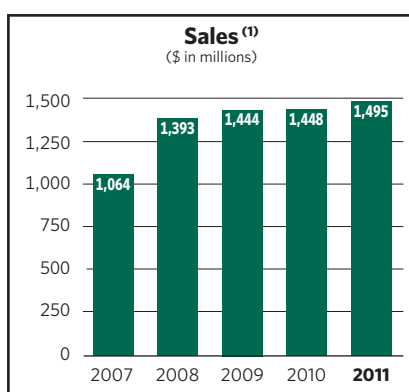
Annual Financial Report



Financial Highlights

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

(\$ in thousands, except per share information)	Year Ended January 31, 2012	Year Ended ⁽¹⁾ January 31, 2011	CGAAP Year Ended January 31, 2010
RESULTS FOR THE YEAR			
Sales	\$ 1,495,136	\$ 1,448,104	\$ 1,444,366
Same store sales % increase ⁽²⁾	3.3%	2.7%	0.1%
Trading profit ⁽³⁾ (EBITDA)	\$ 125,881	\$ 125,764	\$ 130,274
Earnings from operations ⁽³⁾ (EBIT)	89,309	90,272	95,124
Net earnings	57,961	69,656	81,813
Cash flow from operating activities	114,658	114,564	107,973
FINANCIAL POSITION			
Total assets	\$ 626,917	\$ 616,588	\$ 623,800
Total debt	175,892	192,596	209,170
Total equity	283,709	286,475	289,926
FINANCIAL RATIOS			
Debt-to-equity	.62:1	.67:1	.72:1
Return on net assets ⁽³⁾	18.5%	17.9%	18.7%
Return on average equity ⁽³⁾	20.1%	24.1%	29.3%
Sales blend: Food	76.4%	76.4%	77.2%
General Merchandise	20.2%	20.3%	19.8%
Other	3.4%	3.3%	3.0%
PER SHARE (\$) - DILUTED⁽⁴⁾			
Trading profit ⁽³⁾ (EBITDA)	\$ 2.59	\$ 2.59	\$ 2.69
Net earnings	1.19	1.44	1.69
Cash flow from operating activities	2.36	2.36	2.23
Market price: January 31	19.40	21.09	17.94
high	22.50	23.00	19.60
low	17.85	17.02	14.88



(1) The January 31, 2011 comparative figures previously reported in accordance with Canadian generally accepted accounting principles (CGAAP) have been restated to conform with International Financial Reporting Standards (IFRS). An explanation of the transition from CGAAP to IFRS is provided in Note 24 to the January 31, 2012 consolidated financial statements. The financial information for the fiscal years 2007 to 2009 was prepared in accordance with CGAAP and has not been restated.

(2) Same store sales, excluding the foreign exchange impact

(3) See Non-GAAP financial measures section on page 26

(4) Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The comparative information refers to the units of the Fund. See conversion to a share corporation on page 7 for further information.

Annual Financial Report

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Unless otherwise stated, this Management's Discussion & Analysis ("MD&A") for The North West Company Inc. ("NWC") or its predecessor North West Company Fund ("NWF" or "Fund") and its subsidiaries (collectively, "North West Company", the "Company", "North West", or "NWC") is based on, and should be read in conjunction with, the 2011 annual audited consolidated financial statements and accompanying notes. The Company's annual audited consolidated financial statements and accompanying notes for the year ended January 31, 2012 are in Canadian dollars, except where otherwise indicated, and are the first annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Due to the transition to IFRS, comparative figures for the year ended January 31, 2011 ("2010") that were previously reported in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") have been restated to conform with the accounting policies and financial statement presentation adopted under IFRS. The financial information for the fiscal years 2009 and prior was prepared in accordance with CGAAP and has not been restated. Further information on the transition to IFRS and the impact on the Company's financial statements is provided in Note 24 to the consolidated financial statements.

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on April 9, 2012 and the information contained in this MD&A is current to April 9, 2012, unless otherwise stated.

Forward-Looking Statements This MD&A contains forward-looking statements about North West including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, dividends, debt levels, financial capacity, access to capital, and liquidity), ongoing business strategies or prospects, and possible future action by the Company, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government

regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of this MD&A and in the Risk Factors sections of the Annual Information Form. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

Additional information on the Company, including our Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

Management's Discussion & Analysis

OUR BUSINESS TODAY

The North West Company is a leading retailer to underserved rural communities and urban neighbourhood markets in the following regions: northern Canada, western Canada, rural Alaska, the South Pacific islands and the Caribbean. Our stores offer a broad range of products and services with an emphasis on food. Our value offer is to be the best local shopping choice for everyday household and local lifestyle needs.

North West's core strengths include: our ability to adapt our product mix to each market we serve; our logistics expertise in moving product to, and operating stores within, remote or difficult-to-reach locations; our knowledge in serving indigenous and lower-income customers; and our ability to apply these strengths to serve customers within complementary niche businesses.

North West has a rich enterprising legacy as one of the longest continuing retail enterprises in the world. The Company traces its roots back to 1668 with many of our store locations in northern Canada and Alaska having been in operation for over 200 years. Today these northern stores serve communities with populations from 500 to 8,000. A typical store is 7,500 square feet in size and offers food, family apparel, housewares, appliances, outdoor products and services such as post offices, income tax return preparation, quick-service prepared food, commercial business sales, money transfers and cheque cashing.

Growth at North West has come from market share expansion within existing locations and from applying our expertise and infrastructure to new markets and complementary businesses. The latter includes wholesaling to independent stores, opening Giant Tiger junior discount stores in rural communities and urban neighbourhoods in western Canada, and our late 2007 acquisition of Cost-U-Less, Inc. ("CUL"), a chain of mid-sized warehouse format stores serving the South Pacific islands and the Caribbean.

A key strength and ongoing strategy of North West is to adapt to unique local lifestyles, cultures and selling opportunities better than our competition. Store development flexibility, store management selection and learning programs, store-level merchandise ordering, community relations and profit-sharing incentive plans are all ingredients of the model we have built to support this leading market position. We believe that continued, efficient enhancement of our execution skills in general and our localization skills specifically, are essential components in effectively meeting the customer needs within each market we serve.

North West delivers its products and services through the following retail banners and wholesale businesses, in two reporting segments:

Canadian Operations

- **123 Northern** stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- **36 Giant Tiger** junior discount stores, offering family fashion, household products and food to urban neighbourhoods and larger rural centers in western Canada;
- **7 NorthMart** stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, fashion and health products and services;
- **12 Quickstop** convenience stores, offering ready-to-eat foods, petroleum products and related services;
- **1 Valu Lots** clearance center;
- **1 Solo Market** store, targeted at less remote, rural markets;
- **1 NorthMart Drug Store**, a stand-alone pharmacy and convenience store combination;
- **Crescent Multi Foods (CMF)**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- **2 North West Company Fur Marketing** outlets, trading in wild furs and offering Aboriginal handicrafts and authentic Canadian heritage products; and
- **The Inuit Art Marketing Service**, Canada's largest distributor of Inuit art.

International Operations

- **30 AC Value Centers**, stores similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- **3 Quickstop** convenience stores;
- **Pacific Alaska Wholesale** (formerly **Frontier Expeditors** and **SPAN Alaska**), a leading distributor to independent grocery stores and individual households in rural Alaska;
- **12 Cost-U-Less (CUL)**, mid-sized warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean; and
- **1 Island Fresh Supermarket**, neighborhood store offering convenience with an emphasis on fresh and prepared foods.

VISION

At North West our mission is to be a trusted community store of choice. Our vision is to be a leading community retailer within underserved and less developed markets by providing customers with the ability and desire to shop locally with us for the widest possible range of products and services that meet their everyday needs. We do this by being more accessible and convenient, more locally flexible, friendlier and having the lowest local cost, enabled by lean, innovative processes. For our associates, we want to be a preferred, fulfilling place to work. For our investors, we want to deliver superior, top-quartile returns over the long term.

PRINCIPLES

The way we work at North West is shaped by six core principles: *Customer Driven, Enterprising, Passion, Accountability, Trust, and Personal Balance.*

Customer Driven is our practice of always looking through the eyes of our customers while recognizing our stores' unique role as a supportive community citizen.

Enterprising is our spirit of innovation, improvement and growth, reflected in our unrelenting focus on new products, services and processes.

Passion refers to our connection to our work, our role as a community store and our opportunity to do great things at North West.

Accountability is our management approach to getting work done through clear roles, tasks and resources.

Trust at North West means doing what you say you will do, with fairness, integrity and respect.

Personal Balance is our commitment to sustaining ourselves and our organization, so that we work effectively for our customers and communities over the long term.

STRATEGIES

The strategies at North West reflect our total return approach to performance. We place an equal emphasis on growth and income yield in delivering top-quartile total returns to investors. Investment opportunities are considered in terms of their ability to sustain an attractive current cash return in addition to growth prospects.

The Company's long-range plans ("LRP") are developed in multi-year cycles and are reviewed and adjusted on an annual basis or as required at the senior management and board levels. 2009 was the start of a LRP cycle and included an in-depth assessment of North West's past performance, opportunity gaps within each business segment, and new business growth potential.

As a result of our 2009 LRP work, we identified operational excellence as the first priority within our existing retail network, themed as "More Growth in Store". This finding and subsequent direction-setting is based on gaps that we see within our current store base which, if effectively addressed, will deliver attractive financial returns over the next three to five years and set the foundation for new market, product and service growth over the long term.

The strategic rationale for this approach fully considered our past successes and unrealized opportunities. Over the past five years, food market share and margin rates increased through better sourcing, through more store-branded products that offered a value alternative to national brands and by building on our store-level capability with training, new technology and best practices. Our food growth strategy was augmented by opportunistically pursuing complimentary everyday products and services. These included financial services, post offices, fuel and pharmacies. New store growth was achieved by acquiring independent stores in northern Canada and Alaska, through Giant Tiger store expansion in western Canada and through our acquisition of CUL in late 2007.

While our business successfully developed beyond our core northern markets and merchandise mix, resources and executive attention were stretched. The effect was that other, high potential operational elements within the "four walls" of our business were left without the necessary degree of focus, investment and leadership.

The specific areas we have highlighted for attention further protect, grow and optimize the performance of our food business, which accounts for 76% of our sales base, the stability of our store teams, and the strength of our supply chain.

Following is an update on the LRP strategic initiatives:

Initiative #1

Improve perishable food performance gaps

This initiative is a comprehensive reworking of products, processes and technology required to improve the performance of categories that attract higher activity costs and require more complex executions. These include Produce, Meat, Chilled and Frozen Food.

Result

The emphasis in 2011 continued to be on the Produce category and initial work was launched on fresh Meat. The key elements have been more tightly controlled assortments, increased use of pre-packaged product, daily company-wide visibility on product waste, simplified ordering processes and learning certification programs. The time to put these elements in place has been longer than initially expected but has been a worthwhile investment and culture shift for the organization in preparation for additional product categories. The financial impact of this initiative has been very positive with Alaskan and northern Canada Produce gross profit dollars up 20% or \$3 million over the two years ending January 2012.

2012 will build on the success in Produce and will focus on improving fresh Meat and Dairy performance, enabled by similar, now-proven practices. Several other categories such as Gas, Tobacco and Processed Meats will be added to the scope of this initiative to fully leverage the margin upside that we see from tighter operating standards.

Initiative #2**Optimize in-stock position**

While the number one potential for customer satisfaction and margin improvement lies within our perishable categories, driving sales at North West depends on the strength of our convenience offer and our in-stock position. This priority is highlighted by the fact that 87% of our sales (excluding Giant Tiger) are in everyday consumable products. This initiative focuses on improving in-stock rates through technology-enabled tracking and ordering processes that were launched in the second half of 2010 and further refined in 2011 by adjusting product space allocations.

Result

2011 in-stock performance at our Alaskan and northern Canada stores improved by 580 basis points to 92% by year-end, on top of a significant basis point improvement achieved in 2010. Combined with a wider range of products now being measured under this initiative, the estimated annualized sales gain is \$5 million or 1% of the food sales base of these divisions.

In 2012, the in-stock initiative will cycle through a full year of the gains achieved in 2011 with additional, more modest improvements targeted for Alaskan and northern Canada and larger gains expected at Cost-U-Less as this becomes a focus point.

Initiative #3**Ensure store teams stability**

With such a diverse store network, our employees, especially at store level, have always made the difference at North West. Through our assessment, we identified a critical need to solidify our store teams so that they stay together longer in specific locations, deepening customer and community relationships, and building their business. For this to happen consistently, we are revamping recruitment, retention and store work processes to ensure we attract and keep highly productive, capable store personnel in key roles.

This initiative specifically addresses the opportunity to optimize overall store performance by ensuring that a highly capable store team is in place and secure within each store location for an average time of at least three years. Similar to other "More Growth in Store" work, 2011 was an important year for putting plans into action to achieve desired stability levels in two thirds of our stores by year-end.

Result

By year-end, all of the targeted stores were on track to meet the stability criteria established for them. A key accomplishment was the recruitment of a record 37 store manager candidates by year-end, setting the stage for successful results in 2012 when the final third of our stores are targeted for completion. Capital spending on new and refurbished housing was \$7 million in 2011 and will be \$5 million in 2012 as part of an \$18 million three-year investment to provide a higher-standard housing benefit for store management personnel recruited into the communities. Work was also completed on success profiles for all store manager positions at North West providing a solid, practical reference for future development and recruitment.

Initiative #4**Be "priced right"**

We consider improved price management to be a strategic opportunity at North West, especially in our more remote banners. Market-based pricing is more difficult due to limited local shopping options in many of these locations, and this requires a deeper, more sophisticated understanding of consumer purchase behaviour relative to price.

Result

A major project under this initiative was to establish and deliver price reductions on nutritious perishable foods qualifying for higher freight subsidies under a new Canadian federal government program ("Nutrition North") that took effect on April 1, 2011. The price changes that directly resulted from this program, additional reductions from lower negotiated freight costs and a second round of lower prices under Nutrition North in October 2011 were all passed directly onto our customers.

Food tonnage and sales gains from stores serving Nutrition North eligible markets were significant in 2011 as were sales in other product categories, demonstrating the impact of customers with lower living costs and more spending power created by Nutrition North items combined with the transportation cost efficiencies passed on by North West. In 2012 we will continue to find efficiencies that can further reduce our cost of business, helping our customers realize even more value for their dollar and attract more local shopping.

Initiative #5**Build our supply chain advantage**

North West is a major shipper of merchandise and other freight into the remote markets that we serve. This creates an opportunity to work more collaboratively with our transportation partners to fully leverage our knowledge and forecasted volumes. The outcomes we expect from this strategy are improved product visibility and delivery service within a more productive and lower cost transportation network.

Result

In 2011, \$4 million in outbound freight savings were achieved by consolidating freight that was previously shipped through the Canada Post system under the Canadian federal government's previous food mail system and the negotiation of new routing and freight rates across the remainder of our distribution network in Canada. During the year, work was completed on the scope, design and selection of a technology provider for a \$7 million transportation management system ("TMS") investment. The TMS will initially track merchandise throughout our outbound Canadian supply chain and provide management with the necessary tools to proactively manage our diverse network of freight modes and carriers to achieve optimal load and routing configurations. We expect to be able to reduce our annual supply chain costs by a further \$6 million over the 18 months beginning with TMS' launch in late 2012.

Initiative #6

Cascade our leadership principles into practices

We consider our leadership principles in action to be the foundation for great, sustainable performance across all levels of our organization. From our cashiers to our buyers and store managers, we recognize the potential for measurable, effective practices that reflect these principles and align our work. Our work in 2011 carried forward this commitment to making leadership at North West deeper and more effective.

Result

Throughout 2011, we continued to cascade our leadership principles and practices to our managers, supervisors and store management. The training sessions included 267 participants with on-going coaching and follow-up on usage and effectiveness of the practices. We have found that the practices are valued as practical, effective management tools that help people work better, based on common understood principles.

2012 will be a year of refining our leadership and management practices with emphasis on our 2012 theme of "Delivering on our Promise" and being even more sharply focused on the important work that we are committed to.

Beyond our "More Growth in Store" emphasis, we continue to focus on banner performance improvement work at Giant Tiger and CUL. Giant Tiger has identified staff productivity, apparel inventory control and several expense management opportunities as areas for performance gains in 2012. CUL has developed an in-stock inventory plan with improvement goals similar to Alaska and northern Canada. CUL is also expected to deliver expense savings in 2012 and plans to launch more lower price point and special buy products across all merchandise groups to improve their value offer amidst lingering recession conditions in several markets.

We will continue to carefully assess the long-term potential of any major new business, product or service, and the probability of achieving threshold returns on a sustainable and consistent basis. Across this work we continue to emphasize new ideas, clear principles, execution, and the ability to track performance.

KEY PERFORMANCE DRIVERS AND CAPABILITIES TO DELIVER RESULTS

The ability to protect and enhance the performance of northern store locations Our stores in Alaska and northern Canada represent the highest potential for improved productivity and customer satisfaction. We believe that the shift in our culture and capability towards efficiency, innovation and operational excellence within our new LRP strategies is working and is the best path to achieve these goals.

The financial capability to sustain the competitiveness of our existing store base and to pursue growth Our sustaining investments include replacement and renovated stores, staff housing, energy-efficiency and technology. Non-capital expenditures are centered on improvements to our in-store

capabilities through more in-depth training programs and the on-going investment in our LRP work.

The ability to be a leading community store in every market we serve This depends on our ability to tailor our store formats, product/service mix, community support and store associate employment offer, while still realizing the scale efficiencies of our size or the size of our alliance partners. A broad range of products, services and store sizes, combined with flexible technology platforms and "best practice" work processes, are all required to give us the ability to achieve this goal.

The ability to successfully add new stores and renew existing store leases Our new store opening success depends on finding viable locations, communities that are interested in having our store services, willing sellers of independent stores or chains, and being able to integrate and accelerate their full contribution potential. Renewing store leases, especially when the landlord is a community development entity, depends on our track record of solid store operations, our positive community relations and the superior attractiveness of our retail store compared to other options. Other factors include achieving product sourcing, operating and transportation cost savings, while building strong, entrepreneurial store teams.

Our ability to achieve best-selling practices and build supportive community relations Enhancing store stability and capability is an on-going priority that aligns with our goal of being a trusted local store. We continually invest in recruiting, retention and best practice work methods. We modify store processes to fully leverage our technology, specifically in the areas of communications, merchandise ordering, staff scheduling and training. This recognizes the important role played by our managers and other key store-level personnel and the reality that remoteness, employment competition from other local sectors and other conditions of our markets create challenges in attracting and keeping talented people. Related to this is our on-going ability to develop local management and to foster positive community relationships, especially within the indigenous markets we serve.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to order and sell merchandise A key goal is to shift more staff time and skill towards ordering and selling merchandise tailored to the unique markets we serve, while reducing costs in the non-selling facets of store work. Productivity opportunities include labour scheduling, energy usage and inventory shrinkage. We have developed alliances with other non-competing retailers to provide sales and distribution services for certain products and services where we do not have the scale to achieve a lower cost structure on our own. Our new store banners and recent acquisitions have further enabled us to achieve cost efficiencies in direct importing, freight consolidation and general administration expenses while enabling us to share our specialized retail knowledge and ideas among our retail, wholesale and support service groups.

CONVERSION TO A SHARE CORPORATION

On January 1, 2011, the North West Company Fund (the "Fund") completed its previously announced conversion to a corporation named The North West Company Inc. (the "Company") by way of a plan of arrangement under section 192 of the Canada Business Corporations Act. Unitholders of the Fund received one common share of the Company for each unit of the Fund held. Upon conversion, the Company assumed all of the covenants and obligations of the Fund and the common shares of the Company began trading on the Toronto Stock Exchange under the symbol "NWC". The details of the conversion and the Arrangement are contained in the management information circular dated April 29, 2010 which is available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

The conversion was accounted for as a continuity of interests and as such the carrying amounts of the assets, liabilities and unitholders' equity in the consolidated financial statements of the Fund immediately before the conversion was the same as the carrying values of the Company immediately after the conversion. The comparative amounts in this MD&A and in the consolidated financial statements are those of the Fund restated to conform with IFRS. The MD&A and consolidated financial statements contain references to "shareholders", "shares" and "dividends" which were previously referred to as "unitholders", "units" and "distributions" under the Fund.

As a result of the conversion to a share corporation, the earnings from The North West Company LP that previously flowed to the Fund on a pre-tax basis are now subject to income taxes based on statutory federal and provincial income tax rates commencing January 1, 2011. While higher corporate taxes will reduce the Company's net earnings and cash available for dividends to shareholders, the after-tax impact on personal income is largely offset for taxable investors benefiting from the dividend tax credit.

Consolidated Results

2011 Highlights

- Sales increased to \$1.495 billion, our twelfth consecutive year of sales growth.
- Same store sales increase of 3.3% led by strong food sales.
- Return on net assets was 18.5%
- Return on average equity was 20.1%.
- Total returns to shareholders, although negative 3.6% for the year, compared favourably to the TSX composite index and were 10.7% on a compound annual basis over the past five years.
- The Company's trading symbol was changed to "NWC" which is more reflective of the Company's corporate identity and is consistent with the trading symbol of the Company prior to converting to an income trust in 1997.
- In February 2012, the Company held its 13th annual Wintering Partners Conference and Trade Show in Winnipeg. For the first time, store managers from across all of the Company's banners attended this conference which focuses on best

practice learning and selling plans for the year ahead. During the week a special celebration was held marking the 25th anniversary of North West as an independent company beginning with the acquisition of the Northern Stores Division of The Hudson's Bay Company in 1987.

FINANCIAL PERFORMANCE

As a result of the transition to International Financial Reporting Standards (IFRS), comparative figures for the year ended January 31, 2011 ("2010") that were previously reported in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") have been restated to conform with the accounting policies adopted under IFRS. Further information on the transition to IFRS and the impact on the Company's consolidated financial statements is provided in Note 24 to the audited consolidated financial statements. All other financial information for 2009 and prior was prepared in accordance with CGAAP and has not been restated.

Some of the key performance indicators used by management to assess results are summarized in the following table:

Key Performance Indicators

(\$ in thousands, except per share/unit)	2011	2010	CGAAP 2009
Sales	\$ 1,495,136	\$ 1,448,104	\$ 1,444,366
Same store sales % increase ⁽¹⁾	3.3%	2.7%	0.1%
Trading profit ⁽²⁾ (EBITDA)	\$ 125,881	\$ 125,764	\$ 130,274
EBIT ⁽²⁾	\$ 89,309	\$ 90,272	\$ 95,124
Net earnings	\$ 57,961	\$ 69,656	\$ 81,813
Net earnings per share/unit —basic	\$ 1.20	\$ 1.45	\$ 1.71
Net earnings per share/unit —diluted	\$ 1.19	\$ 1.44	\$ 1.69
Cash dividends/distributions per share/unit	\$ 1.05	\$ 1.42	\$ 1.39
Total assets	\$ 626,917	\$ 616,588	\$ 623,800
Total long-term liabilities	\$ 215,206	\$ 144,736	\$ 161,928
Return on net assets ⁽²⁾	18.5%	17.9%	18.7%
Return on average equity ⁽²⁾	20.1%	24.1%	29.3%

(1) All references to same store sales excludes the foreign exchange impact

(2) See Non-GAAP financial measures section on page 26

Consolidated Sales Sales for the year ended January 31, 2012 ("2011") increased 3.2% to \$1.495 billion compared to \$1.448 billion for the year ended January 31, 2011 ("2010"), and were up 3.5% compared to \$1.444 billion for the year ended January 31, 2010 ("2009"). Sales growth was partially offset by the negative impact of foreign exchange on the translation of U.S. denominated sales. Excluding the foreign exchange impact, sales increased 4.4% from 2010 and were up 8.2% from 2009. On a same store basis, sales increased 3.3% compared to increases of 2.7% in 2010 and 0.1% in 2009.

Food sales increased 3.2% from 2010, and were up 4.5% excluding the foreign exchange impact with all banners contributing to the sales growth. Improvements to our in-stock performance in our northern Canada and Alaska stores

contributed to the sales gains. Same store food sales increased 3.5% over last year with quarterly same store increases of 3.0%, 2.8%, 4.0% and 4.3% in the fourth quarter. Canadian food sales increased 5.1% and International food sales were up 3.3% excluding the foreign exchange impact.

General merchandise sales increased 2.8% compared to 2010 and were up 3.5% excluding the foreign exchange impact. Same store general merchandise sales increased by 2.2% for the year with a decrease of 3.1% in the first quarter and quarterly increases of 1.7%, 1.1%, and 7.5% in the last three quarters of the year. General merchandise sales growth in our northern Canada stores more than offset weaker sales performance in our other banners in the first three quarters of the year.

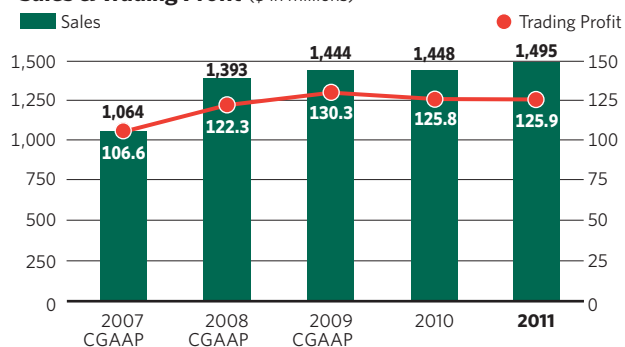
Other revenue, which includes fuel, fur and service charge revenue, increased 7.0% compared to 2010 largely due to higher gas prices.

Sales Blend The table below shows the consolidated sales blend over the past three years:

	2011	2010	2009
Food	76.4%	76.4%	77.2%
General merchandise	20.2%	20.3%	19.8%
Other	3.4%	3.3%	3.0%

Canadian Operations accounted for 68.8% of total sales (67.6% in 2010 and 63.8% in 2009) while International Operations contributed 31.2% (32.4% in 2010 and 36.2% in 2009).

Sales & Trading Profit (\$ in millions)



Gross Profit Gross profit increased 3.5% to \$428.0 million compared to \$413.3 million last year driven primarily by sales gains as gross profit rates were up 9 basis points to 28.63%. Lower gross profit rates in Canadian Operations, largely due to reductions in general merchandise margins caused by weather-related apparel markdowns and lower food prices in select markets, were more than offset by higher food gross profit rates in International Operations from improved margin management.

Selling, operating and administrative expenses Selling, operating and administrative expenses (“expenses”) increased 4.8% to \$338.7 million and increased 34 basis points as a percentage of sales compared to last year. The most significant factor was higher incentive plan costs. Annual and long-term incentive plan expenses increased \$6.3 million compared to last year as a result of improved financial performance, led by the International Operations, and incremental expense related to

share-based compensation programs. In 2010, the minimum earnings threshold for annual incentive plan payments was not met for both the International Operations and consolidated incentive earnings measures. Higher fuel-related utility costs particularly in the International Operations, also contributed to the increase in expenses. Partially offsetting these increases was the impact of a stronger Canadian dollar on the translation of International Operations expenses and lower debt loss expense in our Canadian Operations.

Earnings from operations (EBIT) Earnings from operations or earnings before interest and income taxes (“EBIT”) decreased 1.1% to \$89.3 million compared to \$90.3 million last year as higher incentive plan expenses included in selling, operating and administrative expenses offset the impact of higher sales. Excluding the foreign exchange impact and the incentive plan expense, earnings from operations increased 6.7%. Trading profit or earnings before interest, income taxes, depreciation and amortization (EBITDA) of \$125.9 million was flat to last year. Excluding the foreign exchange impact and the increase in incentive plan expense, trading profit increased 5.9% and was 8.8% as a percentage to sales compared to 8.7% last year.

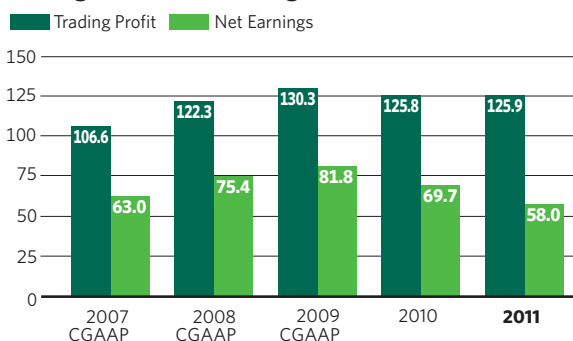
Interest expense Interest expense decreased 0.8% to \$6.0 million compared to \$6.1 million last year. An increase in the average cost of borrowing to 3.1% compared to 2.8% in 2010 was more than offset by a 10.7% decrease in average debt levels compared to 2010.

Income tax expense The provision for income taxes increased to \$25.3 million compared to \$14.5 million last year largely due to the taxation of Canadian Operations earnings as a result of the conversion to a share corporation on January 1, 2011. Prior to the conversion to a share corporation, the earnings from The North West Company LP flowed to North West Company Fund on a pre-tax basis and were ultimately distributed to unitholders. There was no current income tax payable by the Fund on these distributions. See Conversion to a Share Corporation on page 7 for further information. The effective tax rate for the year was 30.4% compared to 17.3% last year reflecting the taxation of Canadian Operations earnings and higher earnings in the International Operations.

In the ordinary course of business, the Company is subject to audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company’s income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

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

Trading Profit & Net Earnings (\$ in millions)



Net earnings Consolidated net earnings decreased 16.8% to \$58.0 million or \$1.19 per share on a diluted basis compared to \$69.7 million or \$1.44 per share in 2010. The change in income taxes in the Canadian Operations as a result of the conversion to a share corporation was the largest factor negatively impacting diluted earnings per share by approximately \$0.21. Additional information on the financial performance of Canadian Operations and International Operations is included on page 10 and page 12 respectively. In 2011, the average exchange rate used to translate U.S. denominated sales and expenses from the International Operations was 3.4% lower at 0.991 compared to 1.026 last year. The Canadian dollar's appreciation versus the U.S. dollar in 2010 had the following net impact on the 2011 results:

Sales decrease of \$16.4 million or 1.1%
 Earnings from operations.....decrease of \$0.7 million
 Net earnings..... decrease of \$0.4 million
 Diluted earnings per share..... decrease of \$0.01 per share

Total Assets Consolidated assets increased 1.7% to \$626.9 million compared to \$616.6 million in 2010 and were up 0.5% compared to \$623.8 million in 2009. The increase in consolidated assets is largely due to higher inventories, accounts receivable and property and equipment partially offset by a decrease in deferred tax assets compared to last year and 2009.

Consolidated working capital for the past three years is summarized in the following table:

(\$ in thousands)	2011	2010	CGAAP 2009
Current assets	\$ 295,836	\$ 284,789	\$ 285,843
Current liabilities	\$ (128,002)	\$ (185,377)	\$ (171,946)
Working capital	\$ 167,834	\$ 99,412	\$ 113,897

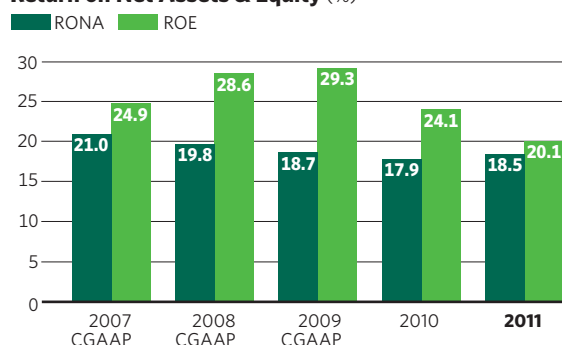
Working capital increased \$68.4 million or 68.8% to \$167.8 million compared to 2010 and was up \$53.9 million or 47.4% compared to 2009. The increase in working capital is primarily due to a decrease in current liabilities largely related to the current portion of long-term debt. The current portion of long-term debt decreased to \$0.6 million compared to \$68.3 million in 2010 and \$56.3 million in 2009 as a result of refinancing loan facilities upon maturity. See Note 11 to the consolidated financial statements for further information on long-term debt.

Return on net assets employed increased to 18.5% from 17.9% in 2010, and return on average equity decreased to 20.1%

from 24.1% in 2010. Return on net assets increased due to lower average net assets employed partially offset by a decrease in earnings before interest and taxes. Additional information on net assets employed for the Canadian and International Operations is on page 11 and page 13 respectively.

Return on average equity decreased largely due to the taxation of Canadian Operations earnings as a result of the conversion to a share corporation, partially offset by a \$15.3 million charge to retained earnings related to net actuarial losses on the Company's defined benefit pension plan. Further information on shareholder's equity is provided in the statements of changes in shareholders' equity in the consolidated financial statements.

Return on Net Assets & Equity (%)



Total long-term liabilities Consolidated long-term liabilities increased \$70.5 million or 48.7% to \$215.2 million from 2010 and were up \$53.3 million or 32.9% compared to 2009. The increase in long-term liabilities from 2010 and 2009 is largely due to a decrease in the current portion of long-term debt related to loan facilities that were refinanced on a long-term basis and an increase in the defined benefit plan obligation. Further information on long-term debt is included in the sources of liquidity and capital structure sections on page 15 and page 17 respectively and in Note 11 to the consolidated financial statements. The defined benefit plan obligation increased \$18.6 million compared to 2010 largely due to a significant decrease in the discount rate used to calculate pension liabilities and lower than expected returns on pension plan assets. The defined benefit plan obligation under IFRS is not comparable to the obligation reported under CGAAP used in 2009. Further information on post-employment benefits is provided in Note 12 to the consolidated financial statements.

Canadian Operations

FINANCIAL PERFORMANCE

Canadian Operations results for the year are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

(\$ in thousands)	2011	2010	CGAAP 2009
Sales	\$ 1,028,396	\$ 978,662	\$ 921,621
Same store sales % increase	3.7%	4.1%	1.1%
Trading profit ⁽¹⁾ (EBITDA)	\$ 97,998	\$ 98,781	\$ 96,599
Earnings from operations ⁽¹⁾ (EBIT)	\$ 69,253	\$ 71,270	\$ 69,872
Return on net assets ⁽¹⁾	20.7%	20.2%	20.0%

(1) See Non-GAAP financial measures section on page 26

Sales Canadian Operations sales increased \$49.7 million or 5.1% to \$1.028 billion compared to \$978.7 million in 2010, and were up \$106.8 million or 11.6% compared to 2009. Same store sales increased 3.7% compared to a 4.1% increase in 2010. Food sales accounted for 71.8% (71.8% in 2010) of total Canadian sales. The balance was made up of general merchandise sales at 23.6% (23.7% in 2010) and other sales, which consists primarily of fuel sales and service charge revenue at 4.6% (4.5% in 2010).

Food sales increased by 5.1% over 2010 and were up 11.4% compared to 2009. Same store food sales increased 3.8% compared to 4.6% in 2010. Same store food sales, led by strong sales growth in our northern stores, had quarterly increases of 2.2%, 2.6%, 4.9% and 5.6%. Food sales were up in all banners led by strong sales growth in our remote stores due in part to better in-stock performance. On April 1, 2011, the federal government launched a new program called Nutrition North Canada ("NNC") whereby freight subsidies were established for qualifying food items by community and each retailer became accountable to deliver these products to the communities as efficiently as possible. The NNC freight subsidies resulted in price reductions in eligible communities of approximately \$9 million on an annualized basis. In conjunction with the program, the Company announced further price reductions of approximately \$3 million on an annual basis as a result of transportation cost efficiency gains. Northern markets qualifying for the NNC freight subsidy contributed to the food sales growth in spite of the deflationary impact of the NNC subsidy and investment in pricing made by the Company. Food inflation resulting from higher commodity costs, fuel surcharges, less NNC eligible store freight subsidies was approximately 2%.

General merchandise sales increased 4.6% from 2010 and were up 10.4% compared to 2009. Same store sales increased 3.3% compared to 2.6% in 2010. On a quarterly basis, same store sales decreased 2.2% in the first quarter followed by increases of 3.3%, 2.5% and 7.6% in the last three quarters of the year. Sales growth driven primarily by transportation, electronics, home furnishings and seasonal hardlines categories in northern markets offset weaker sales performance in apparel categories across all banners. Apparel sales were negatively

impacted by cool spring weather conditions in the first half of the year and warm weather conditions in more southern markets in the second half.

Other revenues, which include fuel, fur and service charge revenue, were up 6.8% from 2010 and increased 20.9% over 2009. The increase in other revenues is largely due to higher fuel prices.

Sales Blend The table below shows the sales blend for the Canadian Operations over the past three years:

	2011	2010	2009
Food	71.8%	71.8%	72.0%
General merchandise	23.6%	23.7%	23.8%
Other	4.6%	4.5%	4.2%

Same Store Sales Canadian Operations have consistently achieved top-quartile same store food sales reflecting the Company's focus on superior food selling execution within what are generally growing and younger markets with stable base income profiles. Same store general merchandise sales have been more volatile because they are heavily weighted to big-ticket durable goods that depend upon customers' discretionary income. Same store sales for the past three years are shown in the following table:

Same Store Sales

(% change)	2011	2010	2009
Food	3.8%	4.6%	4.4%
General merchandise	3.3%	2.6%	(7.7%)
Total sales	3.7%	4.1%	1.1%

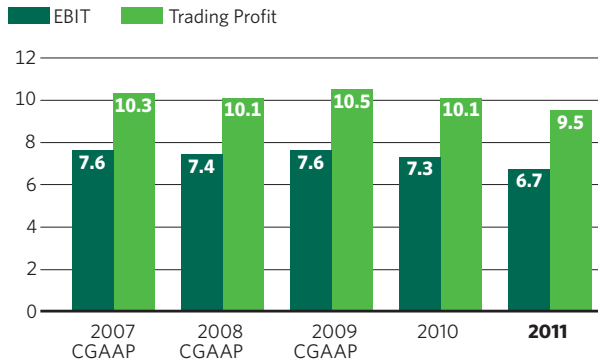
Gross Profit Gross profit dollars for Canadian Operations increased by 3.5% as sales growth more than offset lower gross profit rates. The lower gross profit rates were due to more aggressive promotional food pricing in select markets and higher markdowns to clear seasonal merchandise. Lower gross profit rates on gasoline were also a factor

Selling, operating and administrative expenses Selling, operating and administrative expenses ("expenses") increased 5.6% from 2010 and were up 11 basis points as a percentage of sales compared to last year. The largest factor was higher incentive plan expenses compared to last year as a result of improved financial performance as noted under the consolidated financial results on page 7. An increase in non-incentive staff costs and utility expenses were also factors. Partially offsetting these costs was lower debt loss expense. Excluding the incentive plan costs, expenses decreased 21 basis points as a percentage of sales.

Earnings from operations (EBIT) Earnings from operations decreased \$2.0 million or 2.8% to \$69.3 million compared to \$71.3 million in 2010 as lower gross profit rates and higher expenses more than offset the increase in sales. Trading profit from Canadian Operations decreased \$0.8 million or 0.8% to \$98.0 million and was 9.5% as a percentage of sales

compared to 10.1% in 2010. Excluding the increase in incentive plan expense, trading profit increased 3.1% and was 9.9% as a percentage of sales.

Canadian EBIT & Trading Profit Margins (% of sales)



Net Assets Employed Net assets employed at January 31, 2012, decreased 4.7% to \$315.5 million compared to \$330.9 million at January 31, 2011, as summarized in the following table:

Net Assets Employed

(\$ in millions at the end of the fiscal year)	2011	2010	CGAAP 2009
Property and equipment	\$ 196.1	\$ 189.6	\$ 183.8
Inventory	131.3	126.2	122.3
Accounts receivable	66.6	61.1	61.7
Other assets	49.9	58.9	69.5
Liabilities	(128.4)	(104.9)	(89.5)
Total	\$ 315.5	\$ 330.9	\$ 347.8

Property and equipment increased reflecting investments in new stores, major store renovation projects, staff housing renovations, an ATM replacement project, energy-efficient refrigeration upgrades and a store point-of-sale system upgrade.

Inventory increased primarily due to higher food inventories in stores serviced by seasonal winter roads and sealift to take advantage of lower transportation costs compared to air freight and higher gasoline inventory due to timing of purchases. Average inventory levels in 2011 were \$1.1 million or 0.9% higher than 2010 and \$6.2 million or 4.9% higher than 2009 due in part to commodity and transportation cost increases and new stores compared to 2009. Inventory turnover improved to 5.5 times from 5.2 times in 2010 due to higher sales.

Accounts receivable increased \$5.5 million or 9.0% from 2010 and average accounts receivable were \$2.3 million or 3.9% higher than 2010. The increase in accounts receivable is due to the timing of collections and insurance related accounts receivable resulting from stores destroyed by fire during the year.

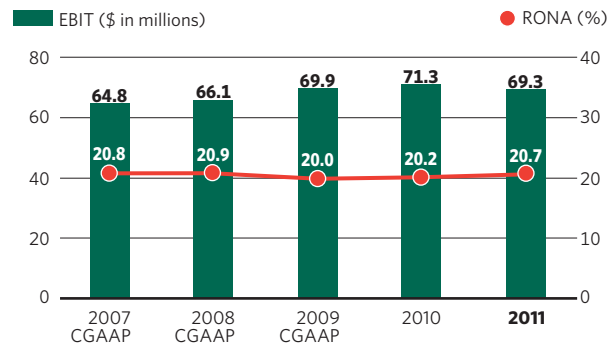
Other assets decreased \$9.0 million or 15.3% compared to last year largely due to a decrease in deferred tax assets. As a result of the conversion to a share corporation, the earnings of The North West Company LP are now taxed in the Company based on statutory corporate income tax rates. Although the Company has been accruing Canadian income tax expense throughout the year, a significant portion of these income taxes will be deferred to a subsequent period. On November 21, 2011, new income tax legislation was enacted to curtail

income deferral by corporations with a partnership that has a different taxation year. The new legislation requires income from these partnerships to be reported on an accrual basis for tax purposes but also includes transitional provisions whereby income earned from the partnership during the initial adoption year can be deferred and recognized over a subsequent five-year period. As a result of these transition rules, a substantial portion of the income tax payable of the Canadian Operations for 2011 has been deferred and will be paid over the next five years. This deferred tax liability has been recorded as a reduction of deferred tax assets. Further information on deferred tax assets and deferred tax liabilities is provided in Note 9 to the consolidated financial statements. The decrease in other assets compared to 2009 is due to differences in accounting for defined benefit pension plans under IFRS compared to CGAAP and a decrease in deferred tax assets as noted above. Further information on the transition from CGAAP to IFRS is provided in Note 24 to the 2011 consolidated financial statements.

Liabilities increased \$23.5 million or 22.4% from 2010 primarily due to an \$18.6 million increase in the defined benefit plan obligation. Further information on post-employment benefits is provided on page 15 and in Note 12 to the consolidated financial statements. The remaining increase in liabilities over the prior year is due to higher trade accounts payable related to the timing of payments.

Return on Net Assets The return on net assets employed for Canadian Operations increased to 20.7% from 20.2% in 2010 as the impact of lower average net assets more than offset a decrease in EBIT compared to last year.

Canadian Return on Net Assets



International Operations

(Stated in U.S. dollars)

International Operations include Alaska Commercial Company (“AC”), Cost-U-Less (“CUL”) and Pacific Alaska Wholesale (“PAW”).

FINANCIAL PERFORMANCE

International Operations results for the year are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

(\$ in thousands)	2011	2010	CGAAP 2009
Sales	\$ 470,932	\$ 457,590	\$ 464,167
Same store sales %	2.3%	(0.2%)	(2.1%)
Trading profit ⁽¹⁾ (EBITDA)	\$ 28,133	\$ 26,302	\$ 29,902
Earnings from operations ⁽¹⁾ (EBIT)	\$ 20,236	\$ 18,522	\$ 22,422
Return on net assets ⁽¹⁾	13.6%	12.6%	16.0%

(1) See Non-GAAP financial measures section on page 26

Sales International sales increased 2.9% to \$470.9 million compared to \$457.6 million in 2010, and were up 1.5% compared to 2009 as strong food sales growth more than offset a decrease in general merchandise sales. Same store sales increased 2.3% compared to a 0.2% decrease in 2010 and a 2.1% decrease in 2009. Food sales accounted for 86.3% (85.9% in 2010) of total sales with the balance comprised of general merchandise at 12.6% (13.1% in 2010) and other sales, which consist primarily of fuel sales and service charge revenues, at 1.1% (1.0% in 2010).

Food sales increased 3.3% from 2010 and were up 1.3% compared to 2009. Same store food sales were up 2.9% compared to a 0.1% decrease in 2010. Quarterly same store food sales increases were 4.5%, 3.0%, 2.4% and 1.9% in the fourth quarter with both AC and CUL stores contributing to the quarterly increases. CUL delivered consistent food sales growth throughout the year compared to negative same store sales in 2010 as a result of adverse economic conditions. The PAW business delivered moderate sales gains for the year after a significant sales decrease in 2010 as a result of shipping disruptions relating to the consolidation of our distribution and information systems.

General merchandise sales decreased 0.5% from 2010 but were up 0.2% from 2009. On an annual basis, general merchandise same store sales were down 1.8% compared to a decrease of 1.0% in 2010. Quarterly same store sales were down 6.8%, 4.7% and 4.1% in the first three quarters but rebounded in the fourth quarter with a 7.1% increase. The impact of lower discretionary spending in CUL markets was partially offset by sales growth in home furnishings and electronics in AC stores driven by the Permanent Fund Dividend (“PFD”), regional native corporation dividends and other settlement payments. The PFD paid to qualifying Alaskan residents was \$1,174 compared to \$1,281 last year and \$1,305 in 2009. The strong general merchandise sales growth in the fourth quarter was largely generated by markdown activity in our CUL stores. These markdowns successfully reduced slow-moving inventory

which will enable the flow of fresh merchandise as part of our performance improvement plan.

Other revenues, which consist of fuel and service charge revenue, were up 12.3% from 2010 and were up 35.2% from 2009 primarily due to higher fuel prices.

Sales Blend The table below reflects the importance of food sales to the total sales of the International Operations:

	2011	2010	2009
Food	86.3%	85.9%	86.4%
General merchandise	12.6%	13.1%	12.8%
Other	1.1%	1.0%	0.8%

Same store sales International Operations same store sales for the past three years are shown in the following table. General merchandise same store sales are significantly impacted by consumer spending on big-ticket durable goods that are largely influenced by special payments such as the Permanent Fund Dividend in Alaska which can result in greater sales volatility. The decrease in general merchandise same store sales in 2009 is primarily due to a decrease in the PFD from \$3,269 in 2008 to \$1,305 in 2009.

Same store sales

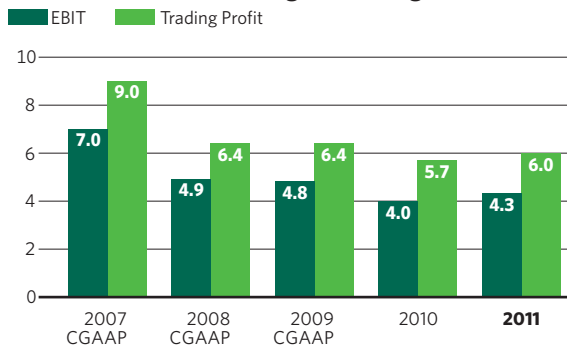
(% change)	2011	2010	2009
Food	2.9%	(0.1%)	0.6%
General merchandise	(1.8%)	(1.0%)	(15.6%)
Total sales	2.3%	(0.2%)	(2.1%)

Gross Profit Gross profit dollars increased 7.2% from 2010 due to sales growth and improved gross profit rates. The increase in gross profit rate was due to higher rates in food resulting from better product sourcing, improved perishable food profitability and a decrease in promotional food pricing in stable food categories in several key markets. Partially offsetting the improvement in food gross profit was higher markdowns to clear slow-moving general merchandise in CUL stores.

Selling, operating and administrative Selling, operating and administrative expenses (“expenses”) increased 6.8% over last year and were up 80 basis points as a percentage of sales. Higher incentive plan expenses resulting from improved financial performance and continuing increases in utility expenses were the leading factors contributing to the increase in expenses. Fuel-related utility costs were up 12.4% compared to 2010 and were up 15.8% compared to 2009 for a total increase of \$1.9 million over two years.

Earnings from operations (EBIT) Earnings from operations increased \$1.7 million or 9.3% to \$20.2 million compared to \$18.5 million in 2010 as higher sales and improved gross profit rates more than offset the increase in expenses. Trading profit increased \$1.8 million or 7.0% to \$28.1 million and was 6.0% as a percentage of sales compared to 5.7% in 2010. Excluding the increase in incentive plan expense, trading profit increased 16.3% and was 6.5% as a percentage of sales.

International EBIT & Trading Profit Margins (% of sales)



Net Assets Employed International Operations net assets employed decreased \$4.6 million or 3.1% to \$143.4 million compared to \$148.0 million in 2010 but were up \$1.4 million or 1.0% from 2009 as summarized in the following table:

Net Assets Employed

(\$ in millions at the end of the fiscal year)	2011	2010	CGAAP 2009
Property and equipment	\$ 73.9	\$ 69.9	\$ 70.6
Inventory	54.5	50.7	52.2
Accounts receivable	9.9	9.1	9.4
Other assets	43.7	50.8	43.0
Liabilities	(38.6)	(32.5)	(33.2)
Total	\$ 143.4	\$ 148.0	\$ 142.0

Property and equipment increased reflecting the replacement of an existing store, store renovations, and the beginning of construction on a new Cost-U-Less store in Barbados that is scheduled to open in the first quarter of 2013.

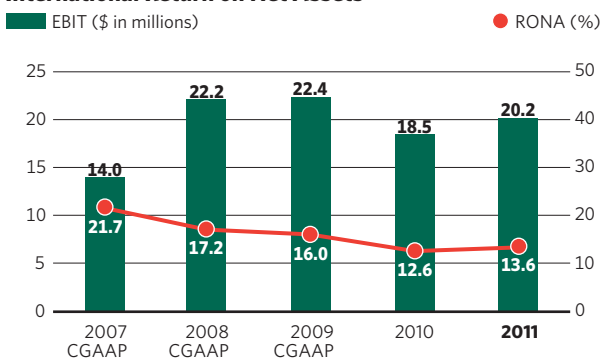
Inventories at the end of the year increased from 2010 largely due to food inventory. Average inventory levels in 2011 were \$1.7 million or 3.0% higher than 2010 and \$4.5 million higher than 2009 due in part to commodity cost increases. Inventory turnover decreased to 6.2 times in 2011 compared to 6.3 times in 2010.

Other assets decreased \$7.1 million or 14.0% compared to last year due in part to lower cash balances at the end of the year.

Liabilities increased \$6.1 million or 18.8% from 2010 due to higher trade accounts payable and an increase in income tax payable related to higher earnings.

Return on Net Assets The return on net assets employed for International Operations increased to 13.6% from 12.6% in 2010 primarily due to higher EBIT and lower average net assets employed as noted above.

International Return on Net Assets



Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

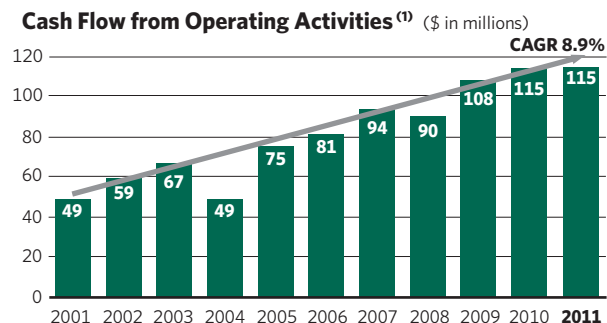
(\$ in thousands)	2011	2010	Change
Cash flows from (used in):			
Operating activities	\$ 114,658	\$ 114,564	\$ 94
Investing activities	\$ (45,137)	\$ (34,124)	\$ (11,013)
Financing activities	\$ (73,768)	\$ (76,487)	\$ 2,719
Net change in cash	\$ (4,247)	\$ 3,953	\$ (8,200)

Cash from operating activities Cash flow from operating activities was flat to last year at \$114.7 million. Changes in non-cash working capital negatively impacted cash flow from operating activities by \$4.0 million compared to an increase in cash flow of \$0.6 million in 2010. The change in non-cash working capital is largely due to an increase in accounts receivable and inventories partially offset by an increase in accounts payable as noted in the Canadian and International net assets employed on pages 11 and 13 respectively.

As a result of the conversion to a share corporation and the deferral of the payment of Canadian income taxes in the transition year in accordance with new income tax legislation enacted November 21, 2011, income tax installments will begin being paid in the first quarter of 2012 and will increase in 2013 based on the recognition of the deferred income taxes. Further information is provided in other assets under Canadian Operations net assets employed on page 11.

Cash flow from operating activities and unutilized credit available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, sustaining and planned growth-related capital expenditures as well as anticipated dividends during 2012.

The compound annual growth rate (CAGR) for cash flow from operating activities over the past 10 years is 8.9% as shown in the following graph:



(1) 2011 is reported under IFRS. 2010 has been restated in accordance with IFRS. All other financial information was prepared in accordance with CGAAP and has not been restated.

Cash used in investing activities Net cash used in investing activities was \$45.1 million compared to \$34.1 million in 2010. Net investing in Canadian Operations was \$33.5 million (\$27.2 million in 2010). A summary of the Canadian Operations investing activities is included in net assets employed on page 11. Net investing in International Operations was \$11.6 million compared to \$6.9 million in 2010. A summary of the International Operations investing activities is included in net assets employed on page 13.

The following table summarizes the number of stores and selling square footage under NWC's various retail banners at the end of the fiscal year:

	Number of Stores		Selling square footage	
	2011	2010	2011	2010
Northern	123	126	690,921	703,414
NorthMart	7	7	148,306	148,306
Quickstop	15	15	26,566	26,566
Giant Tiger	36	34	577,432	544,175
AC Value Centers	30	30	295,742	294,597
Cost-U-Less	12	12	336,138	336,138
Other Formats	6	6	45,716	45,716
Total at year-end	229	230	2,120,821	2,098,912

In the Canadian Operations, two Giant Tiger stores were opened and two smaller Northern stores were closed in Obedjiwan, Quebec and Fort Ware, BC as satisfactory lease renewal terms could not be reached with the landlords. During the year, three Northern stores, one of which was leased, were destroyed by fire. These fire losses were insured. Operations were resumed in temporary facilities in two communities and the Company is working with the community in the other location to develop plans to meet the community's needs. Total selling square feet in Canada increased to 1,466,054 from 1,445,291 in 2010.

In the International Operations, a new AC Value Center was opened in Kotlik, Alaska replacing an existing facility. International selling square feet increased to 654,767 from 653,621 in 2010.

Cash used in financing activities Cash used in financing activities was \$73.8 million compared to \$76.5 million in 2010. The decrease in long-term debt is due to lower borrowings in the International Operations. During the year the Company repaid a US\$3.9 million note payable in the International Operations. The Unit Purchase Loan Plan was discontinued January 31, 2011 and \$6.4 million in outstanding loans granted to officers were repaid in the prior year.

Shareholder Dividends / Unitholder Distributions The Company paid dividends, including the final distribution from the Fund, of \$50.8 million or \$1.05 per share compared to \$68.7 million or \$1.42 per unit paid in 2010. The decrease in dividends in 2011 compared to the distributions paid in 2010 is due to the conversion to a share corporation and the taxation of earnings of the Canadian Operations. Prior to the conversion to a share corporation, earnings from The North West Company LP flowed to the Fund on a pre-tax basis and were distributed to unitholders. While higher corporate taxes have reduced the Company's net earnings and cash available for dividends to shareholders, the after-tax impact on personal income is largely offset for taxable Canadian investors due to the dividend tax credit.

The following table shows the quarterly cash dividends per share and distributions per unit paid for the past three years:

	Dividends 2011	Distributions 2010	Distributions 2009
First Quarter	\$ 0.24	\$ 0.34	\$ 0.32
Second Quarter	0.24	0.34	0.32
Third Quarter	0.24	0.34	0.34
Fourth Quarter	0.24	0.34	0.34
Special distribution	0.09	0.06	0.07
Total	\$ 1.05	\$ 1.42	\$ 1.39

The payment of dividends on the Company's common shares are subject to the approval of the Board of Directors and is based on, among other factors, the financial performance of the Company, its current and anticipated future business needs and the satisfaction of solvency tests imposed by the Canada Business Corporations Act ("CBCA") for the declaration of dividends. The dividends were designated as eligible dividends in accordance with the provisions of the Canadian Income Tax Act.

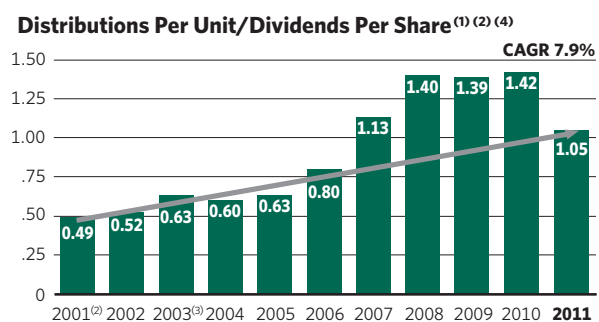
The determination to declare and make payable distributions from the Fund was subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees. The Fund's distribution policy was to make distributions to unitholders equal to the taxable income of the Fund. The taxable income of the Fund was primarily based on an allocation of the taxable income of The North West Company LP less Fund expenses. In addition to the quarterly distributions, a special year-end distribution was declared to unitholders if the taxable income of the Fund exceeded the cumulative distributions for the year. A special distribution of \$0.09 per unit was paid February 18, 2011 to unitholders of record on December 31, 2010 (\$0.06 per unit was paid February 19, 2010 to unitholders of record on December 31, 2009). The Fund's obligation to pay the \$0.09 per unit special distribution was assumed by the Company as part of the conversion to a share corporation (see Conversion to a Share Corporation on page 7). Further information on dividends is included in Note 19 to the consolidated financial statements.

The following table shows dividends and distributions paid in comparison to cash flow from operating activities for the past three years:

	2011	2010	CGAAP 2009
Dividends/Distributions	\$ 50,797	\$ 68,700	\$ 67,245
Cash flow from operating activities	\$ 114,658	\$ 114,564	\$ 107,973
Dividends/Distributions as a % of cash flow from operating activities	44.3%	60.0%	62.3%

The decrease in dividends as a percentage of cash flow from operating activities to 44.3% compared to 2010 is due to the conversion to a share corporation and the taxation of earnings in the Canadian Operations. The Canadian Operations will begin paying income tax installments in 2012 which will reduce cash flow from operating activities. Further information is provided under cash from operating activities on page 13.

The compound annual growth rate (CAGR) for distributions/dividends over the past 10 years is 7.9% as shown in the following graph:



- (1) All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006
- (2) From 2001 to 2010, amounts paid to unitholders were distributions from the Fund. The Fund converted to a share corporation effective January 1, 2011. The \$1.05 paid to shareholders in 2011 includes a \$0.09 per unit final distribution from the Fund paid by the Company as part of the conversion to a share corporation plus dividends of \$0.96 per share.
- (3) The Fund paid a special distribution of \$0.11 per unit on a split adjusted basis
- (4) 2011 is reported under IFRS. 2010 has been restated in accordance with IFRS. All other financial information was prepared in accordance with CGAAP and has not been restated.

Subsequent event - dividends On March 16, 2012, the Board of Directors approved a quarterly dividend of \$0.26 per share to shareholders of record on March 30, 2012, payable on April 16, 2012. This is an increase of \$0.02 per share or 8.3% compared to the \$0.24 per share quarterly dividend paid in 2011. On an annual basis, the Company anticipates paying dividends of approximately \$1.04 per share compared to \$0.96 per share in 2011.

Post-employment benefits The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan, which incorporated legislated changes, administrative practice, and added a defined contribution provision. Under the amended pension plan, all members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. The defined benefit pension previously earned by the members transitioned to the defined contribution plan will continue to accrue in accordance with the provisions of the amended plan based on the member's current pensionable earnings. Members who met the required qualifying threshold elected between continuing to accrue a defined benefit pension and accruing a defined contribution benefit.

As a result of volatile capital markets and further reductions in already historically low long-term interest rates, the Company recorded an increase in defined benefit plan obligations of \$20.8 million, an increase in deferred tax assets of \$5.5 million and net actuarial losses of \$15.3 million (January 31, 2011 - \$1.0 million) as a charge to other comprehensive income. The charge to other comprehensive income was immediately recognized in retained earnings. The actuarial loss is due to a significant decrease in the discount rate used to calculate pension liabilities from 5.8% in 2010 to 4.5% in 2011 and lower than expected returns on pension plan assets.

In 2012, the Company expects to contribute approximately \$6.0 million to the defined benefit pension plan compared to \$4.3 million in 2011. A portion of this obligation may be funded by the issuance of a letter of credit in accordance with new pension legislation. The actual amount of the contributions may be different from the estimate based on actuarial valuations, plan investment performance, volatility in discount rates, regulatory requirements and other factors. The Company also expects to contribute approximately \$1.9 million to the defined contribution pension plan in 2012 compared to \$1.8 million in 2011. Additional information regarding post-employment benefits is provided in Note 12 to the consolidated financial statements.

Sources of liquidity On December 5, 2011, the Company completed the refinancing of its \$140.0 million loan facilities in the Canadian Operations. The new committed, extendible, revolving loan facilities, provide the Company with a \$170.0 million revolving loan facility for working capital requirements and general business purposes. These facilities, which mature on December 31, 2015, are secured by a floating charge on the assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the US\$52.0 million loan facilities. The new loan facilities bear a floating interest rate based on banker's acceptances plus stamping fees or the Canadian prime interest rate. At January 31, 2012, the Company had drawn \$68.9 million on these facilities (January 31, 2011 - \$67.4 million).

At January 31, 2012, the Canadian Operations have outstanding US\$70.0 million senior notes (January 31, 2011 - US\$70.0 million) that mature on June 15, 2014. The senior

notes are secured by a floating first charge on the assets of the Company and rank *pari passu* with the \$170.0 million loan facilities and the US\$52.0 million loan facilities. The US\$70.0 million senior notes have been designated as a hedge against the U.S. dollar investment in the International Operations. Of this amount, US\$42.0 million of the senior notes are at a fixed interest rate of 6.55%. Interest on US\$28.0 million has been converted by an interest rate swap from fixed to floating rates at the three-month London Interbank Offered Rate (LIBOR) plus a spread. For more information on the senior notes and financial instruments, see Note 11 and Note 14 to the consolidated financial statements.

The Company's International Operations have available committed, revolving loan facilities of US\$52.0 million that mature on December 31, 2013. These facilities are secured by a floating first charge against the assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the \$170.0 million loan facilities. These facilities bear interest at LIBOR plus a spread or the U.S. prime rate. At January 31, 2012, the Company had drawn US\$36.0 million (January 31, 2011 - US\$50.0 million) on these facilities.

The International Operations also have available a committed, revolving loan facility of US\$20.0 million that matures October 31, 2012. This facility bears interest at LIBOR plus a spread and is secured by a charge against certain accounts receivable and inventories of the International Operations. At January 31, 2012, the Company had nothing drawn on these facilities (January 31, 2011 - US\$ NIL). For further information on risks related to refinancing, see liquidity risk in the risk management section on page 22.

The coverage ratio of earnings from operations (EBIT) to interest was flat at 14.9 times compared to 14.8 times in 2010.

Interest Costs and Coverage

	2011	2010	CGAAP 2009
Coverage ratio	14.9	14.8	17.3
EBIT (\$ in millions)	\$ 89.3	\$ 90.3	\$ 95.1
Interest (\$ in millions)	\$ 6.0	\$ 6.1	\$ 5.5

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At January 31, 2012, the Company is in compliance with all covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants.

Contractual Obligations and Other Commitments

Contractual obligations of the Company are listed in the chart below:

(\$ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	6 Years+
Long-term debt (including capital lease obligations)	\$ 175,892	\$ 629	\$ 106,413	\$ 68,850	\$ -
Operating leases	149,131	24,374	40,727	28,238	55,792
Other liabilities ⁽¹⁾	7,818	4,611	3,207	-	-
Total	\$ 332,841	\$ 29,614	\$ 150,347	\$ 97,088	\$ 55,792

(1) At year-end, the Company had additional long-term liabilities of \$34.1 million which included provisions, defined benefit plan obligations and deferred income tax liabilities. These have not been included as the timing and amount of the future payments are uncertain.

Director and Officer Indemnification Agreements

The Company has agreements with its current and former directors, trustees, and officers to indemnify them against charges, costs, expenses, amounts paid in settlement and damages incurred from any lawsuit or any judicial, administrative or investigative proceeding in which they are sued as a result of their service. Due to the nature of these agreements, the Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. The Company has also purchased directors', trustees', and officers' liability insurance. No amount has been recorded in the financial statements regarding these indemnification agreements.

Other Indemnification Agreements The Company provides indemnification agreements to counterparties for events such as intellectual property right infringement, loss or damage to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these agreements are based on the specific contract. The Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. No amount has been recorded in the financial statements regarding these agreements.

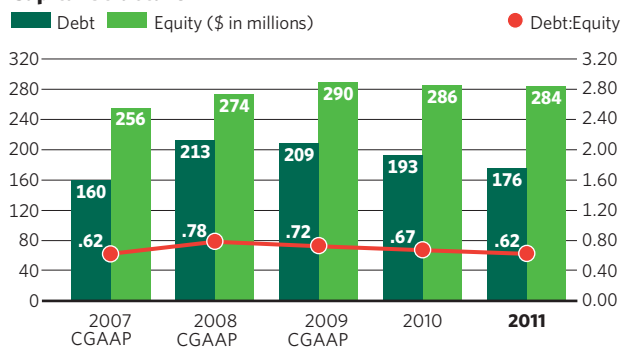
Giant Tiger Master Franchise Agreement In 2002, the Company signed a 30-year Master Franchise Agreement with Giant Tiger Stores Limited, based in Ottawa, Ontario which grants the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing distribution services to the stores. The Company's exclusivity right requires that a minimum number of Giant Tiger stores be opened each year, based on an expected roll-out of 72 stores over the term of the agreement. As at April 9, 2012, the Company has opened 37 Giant Tiger stores. In order to maintain exclusivity, the Company is required to have 36 stores open by July 31, 2012 and must have open an additional four stores per year until July 31, 2016, and then two stores per year thereafter until July 31, 2026. Additional information on commitments, contingencies and guarantees is provided in Note 22 to the consolidated financial statements.

Related Parties The Company has a 50% ownership interest in a Canadian Arctic shipping company, Transport Nanuk Inc. and purchases freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries. The purchases are based on market rates for these types of services in an arm's length transaction. Additional information on the Company's transactions with Transport Nanuk Inc. is included in Note 23 to the consolidated financial statements.

Capital Structure The Company's objectives in managing capital are to deploy capital to provide an appropriate total return to shareholders and to maintain a capital structure that provides the flexibility to take advantage of the growth and development opportunities of the business, maintain existing assets, meet financial covenants and obligations and enhance shareholder value. The capital structure of the Company consists of bank advances, long-term debt and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity to optimize capital costs. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue additional shares, borrow additional funds, adjust the amount of dividends paid or refinance debt at different terms and conditions.

On a consolidated basis, the Company had \$175.9 million in debt and \$283.7 million in equity at the end of the year and a debt-to-equity ratio of .62:1 compared to .67:1 last year. The decrease in the debt-to-equity ratio is due to a reduction in the amount of debt outstanding at the end of the year partially offset by lower equity compared to the prior year.

Capital Structure



The strength of the Company's capital structure is reflected in the preceding chart. Over the past five years, the Company's debt-to-equity ratio has ranged from .62:1 to .78:1. Equity has increased \$27.4 million or 10.7% to \$283.7 million over the past five years and interest-bearing debt has increased \$16.1 million or 10.1% to \$175.9 million compared to \$159.8 million in 2007. During this same time frame, the Company has made capital expenditures of \$216.6 million and has paid distributions and dividends of \$309.1 million while maintaining an appropriate amount of debt. This reflects the Company's balanced approach of investing to sustain and grow the business while providing shareholders with an annual cash return.

Consolidated debt at the end of the year decreased \$16.7 million or 8.7% to \$175.9 million compared to \$192.6 million in 2010, and was down \$33.3 million or 15.9% from \$209.2 million in 2009. The decrease in debt compared to 2010 is largely due

to a decrease in amounts drawn on International Operations loan facilities and the repayment of a US\$3.9 million note payable as summarized in the debt table below. The exchange rate used to translate U.S. denominated debt into Canadian dollars at January 31, 2012 was 1.0052 compared to 1.0022 at January 31, 2011 and 1.0650 at January 31, 2010. The difference in exchange rate did not have a significant impact on the translation of U.S. denominated debt in 2011 compared to 2010 but the impact of the stronger Canadian dollar in 2011 resulted in a \$6.4 million decrease in long-term debt compared to 2009. Average debt outstanding during the year excluding the foreign exchange impact decreased \$20.5 million or 9.6% from 2010 and was down \$25.9 million or 11.8% compared to 2009. The debt outstanding at the end of the fiscal year is summarized as follows:

Debt

(\$ in thousands at the end of the fiscal year)	2011	2010	CGAAP 2009
Senior notes	\$ 69,626	\$ 69,199	\$ 73,481
Canadian revolving loan facilities	68,850	67,445	72,853
U.S revolving loan facilities	36,187	50,110	55,380
Notes payable	659	4,850	5,567
Capital leases	570	992	1,577
Bank advances	-	-	312
Total	\$ 175,892	\$ 192,596	\$ 209,170

Shareholder Equity The Company has an unlimited number of authorized shares and had issued and outstanding shares at January 31, 2012 of 48,378,000 (48,378,000 as at January 31, 2011). Further information on the Company's capital is provided in Note 15 to the consolidated financial statements.

Book value per share, on a diluted basis, at the end of the year decreased to \$5.85 compared to \$5.91 per share in 2010. Shareholders' equity decreased \$2.8 million or 1.0% compared to 2010 due to lower net earnings, largely related to the taxation of Canadian earnings as a result of the conversion to a share corporation, and a \$15.3 million charge to retained earnings related to net actuarial losses on the Company's defined benefit pension plan. This was partially offset by dividends of \$46.4 million in 2011 compared to distributions of \$70.2 million under the Fund structure in 2010. Further information is provided in the statements of changes in shareholders' equity in the consolidated financial statements.

QUARTERLY FINANCIAL INFORMATION

Historically, the Company's first quarter sales are the lowest and fourth quarter sales are the highest, reflecting consumer buying patterns. Weather conditions are often more extreme compared to other retailers and can affect sales in any quarter. Net earnings generally follow higher sales, but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

The following is a summary of selected quarterly financial information:

(\$ thousands)	Q1	Q2	Q3	Q4	Total
Sales					
2011	\$ 346,262	\$ 372,945	\$ 378,359	\$ 397,570	\$ 1,495,136
2010	\$ 340,133	\$ 366,205	\$ 367,285	\$ 374,481	\$ 1,448,104
Trading profit (EBITDA)					
2011	\$ 28,387	\$ 32,408	\$ 34,476	\$ 30,610	\$ 125,881
2010	\$ 28,333	\$ 32,235	\$ 34,215	\$ 30,981	\$ 125,764
Earnings from operations (EBIT)					
2011	\$ 19,385	\$ 23,408	\$ 25,448	\$ 21,068	\$ 89,309
2010	\$ 19,521	\$ 23,376	\$ 25,420	\$ 21,955	\$ 90,272
Net earnings					
2011	\$ 12,425	\$ 15,035	\$ 17,000	\$ 13,501	\$ 57,961
2010	\$ 17,848	\$ 20,233	\$ 22,409	\$ 9,166	\$ 69,656
Earnings per share/unit—basic					
2011	\$ 0.26	\$ 0.31	\$ 0.35	\$ 0.28	\$ 1.20
2010	\$ 0.37	\$ 0.42	\$ 0.47	\$ 0.19	\$ 1.45
Earnings per share/unit—diluted					
2011	\$ 0.26	\$ 0.31	\$ 0.35	\$ 0.27	\$ 1.19
2010	\$ 0.37	\$ 0.42	\$ 0.46	\$ 0.19	\$ 1.44

Fourth Quarter Highlights Fourth quarter consolidated sales increased 6.2% to \$397.6 million compared to \$374.5 million in 2010. Excluding the foreign exchange impact, sales increased 5.7% and were up 5.1% on a same store basis as a result of strong food and general merchandise sales growth across all of our banners. Food sales⁽¹⁾ increased 4.6% and were up 4.3% on a same store basis. General merchandise sales⁽¹⁾ increased 8.4% and were up 7.5% on a same store basis.

Earnings from operations decreased 4.0% to \$21.1 million compared to the fourth quarter last year as increases in sales and gross profit were offset by higher selling, operating and administrative expenses related largely to higher incentive plan expenses. Annual and long-term incentive plan expenses increased \$4.2 million compared to last year as a result of improved financial performance, led by the International Operations, and incremental expense related to share-based compensation programs. Excluding the foreign exchange impact and the increase in incentive plan expense, earnings from operations increased 14.2% compared to the fourth quarter last year. Trading profit⁽²⁾ or earnings before interest, income taxes, depreciation and amortization (EBITDA) decreased 1.2%

to \$30.6 million compared to \$31.0 million last year. Excluding the foreign exchange impact and the increase in incentive plan expense, trading profit increased 11.7% and was 8.8% as a percentage to sales compared to 8.3% last year.

Income tax expense decreased to \$6.0 million compared to \$11.2 million in the fourth quarter last year. This decrease is largely due to the conversion to a share corporation on January 1, 2011 and the related impact of IFRS on the income tax rates used to calculate deferred income tax assets and liabilities under the Fund structure compared to a corporate structure (see Conversion to a Share Corporation on page 7 for further information). Upon conversion to a share corporation, the fourth quarter 2010 deferred tax assets and liabilities were calculated using substantively enacted corporate income tax rates of approximately 27% compared to the 46.4% that was required to be used by IFRS under the Fund structure prior to conversion. This change in income tax rates resulted in an incremental income tax expense of approximately \$8.4 million in the 2010 fourth quarter comparative numbers.

Net earnings increased 47.3% to \$13.5 million and diluted earnings per share increased to \$0.27 compared to \$0.19 per unit last year largely due to the changes in deferred income taxes in the 2010 fourth quarter comparative numbers discussed above. Excluding the impact of the Canadian income tax expense in 2011 and 2010, diluted earnings per share would have decreased \$0.02 per share compared to the fourth quarter last year.

Working capital increased 68.8% or \$68.4 million compared to the fourth quarter last year largely due to the decrease in the current portion of long-term debt. The decrease in the current portion of long-term debt is due to the Canadian Operations loan facilities that were refinanced on December 5, 2011. Excluding the impact of the maturing loan facilities, working capital increased \$1.0 million or 0.6% compared to last year.

Cash flow from operating activities in the quarter decreased \$1.8 million to \$52.3 million from \$54.1 million last year largely due to lower earnings before income taxes.

Cash used for investing activities in the quarter increased to \$16.6 million compared to \$10.7 million last year due to a difference in the timing of capital investments. For the year, cash used in investing activities increased 32.3% to \$45.1 million compared to last year.

Cash used for financing activities in the quarter was \$42.8 million compared to \$41.0 million last year. The change in long-term debt in the quarter is largely due to a decrease in the amount drawn on the International Operations revolving loan facility compared to last year.

Further information on the quarterly financial performance of the Company is provided in the interim MD&A available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

(1) Excluding the foreign exchange impact

(2) See Non-GAAP financial measures section on page 26

DISCLOSURE CONTROLS

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is reported to senior management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) on a timely basis so that decisions can be made regarding public disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on an evaluation of the Company’s disclosure controls and procedures, as required by National Instrument 52-109 (Certification of Disclosure in Issuers’ Annual and Interim Filings), the Company’s CEO and CFO have concluded that these controls and procedures were designed and operated effectively as of January 31, 2012.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting. Based on an evaluation of the Company’s internal controls over financial reporting using the framework published by The Committee of Sponsoring Organizations of the Treadway Commission (“COSO Framework”) as required by National Instrument 52-109, the Company’s CEO and CFO have concluded that the internal controls over financial reporting were designed and operated effectively as of January 31, 2012. There have been no changes in the internal controls over financial reporting during the quarter and for the year ended January 31, 2012 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

The Company’s strategic priorities are based on four “More Growth in Store” initiatives: in-stock performance, perishable food profitability, supply chain improvements and store management stability. Progress on each of these work streams was significant in 2011 and met our performance targets. Our success in these areas is helping to offset longer-duration performance improvement work within our Giant Tiger and Cost-U-Less store banners.

Economic conditions in northern Canada, led by resource development and a cycling through of Nutrition North price reductions, are expected to remain favourable and this is expected to contribute to same store sales gains from our

banners in these markets in 2012. Expanded discount square footage in western Canada will potentially have an adverse impact on approximately half of our Giant Tiger stores beginning in late 2012, which will be partially offset by improvements to Giant Tiger’s fashion apparel offer, relatively strong consumer demand, and the exit of some competitors. Sales growth in our Alaskan stores are expected to moderate as economic conditions and rising utility costs are projected to impact consumer discretionary income. Sales at CUL are expected to deliver mixed growth as tourism dependent economies improve at varying rates.

Net capital expenditures for 2012 are projected to be in the range of \$60 million to \$70 million (2011 - \$45.1 million) reflecting the opening and acquisition of new stores, major replacement store projects, energy conservation projects, staff housing renovations, corporate information systems upgrades and the implementation of a transportation management system. The investments in staff housing and the transportation management system, which are the result of our “More Growth in Store” focus, account for approximately \$11 million of the projected capital expenditures. The remaining increase in projected capital spending in 2012 compared to prior years is due to a larger than usual number of northern store replacement projects caused by fire losses over the past 18 months and agreements being reached with First Nation communities. Actual year-to-year expenditures depend upon the completion of negotiations and shipment of construction materials to remote markets and therefore, the amount and timing can fluctuate as it has over the past few years. Beyond 2012, capital spending is expected to return to an average of \$40 million to \$50 million per year.

RISK MANAGEMENT

The North West Company is exposed to a number of risks in its business. The descriptions of the risks below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Company could be materially adversely affected. Readers of this MD&A are also encouraged to refer to the Key Performance Drivers and Capabilities and Outlook sections of this MD&A, as well as North West’s Annual Information Form, which provides further information on the risk factors facing the Company. While the Company employs strategies to minimize these risks, these strategies do not guarantee that events or circumstances will not occur that could negatively impact the Company’s financial condition and performance. Careful consideration should be given to the risk factors which include, but are not limited to, the following:

Retail Industry and Economic Environment External factors which affect customer demand, and over which the Company exercises no influence, include general economic growth, inflation, interest rates, exchange rates, changes in commodity prices, personal debt levels, unemployment rates and levels of personal disposable income. In an economic downturn, discounting by

major retailers may result in more out-shopping by consumers from the Company's markets, which may negatively impact sales and gross profit. Changes in the inflation rate are unpredictable and may impact the cost of merchandise and the prices charged to consumers which in turn could negatively impact sales and net earnings. Although our core customer is a lower income shopper with relatively stable income sources, a recession or significant and prolonged decline in consumer spending could have an adverse effect on the financial condition and results of operations. Management regularly monitors economic conditions and considers factors which can affect customer demand in making operating decisions and the development of strategic initiatives and long-range plans.

Consumer Income Our largest customer segment derives most of its income directly or indirectly from government infrastructure spending or direct payment to individuals in the form of social assistance, child tax benefits and old age security. These tend to be stable sources of income, independent of economic cycles. Other forms of government spending such as the Nutrition North Canada food subsidy program, although not directly paid to individuals, also contribute to lower cost of living for customers in eligible communities. A major source of employment income is generated from local government and spending on infrastructure projects. This includes new housing, schools, healthcare facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year-to-year depending on a community's fiscal health, especially near the end of the government budget year. A similar fluctuating source of income is employment related to tourism and natural resource development and extraction activities. A significant or prolonged reduction in government transfers, subsidy programs, spending on infrastructure projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items.

Competition We have a leading market position in a large percentage of the markets we serve. Sustaining and growing this position depends on our ability to continually improve customer satisfaction while identifying and pursuing new sales opportunities. We actively monitor competitive activity and we are proactive in enhancing our value offer elements, ranging from in-stock position to service and pricing. The entrance of new competitors or an increase in competition in the Company's markets could negatively impact sales and financial performance.

Community Relations A portion of the Company's sales are derived from communities and regions that restrict commercial land ownership and usage by non-indigenous or non-local owned businesses or which have enacted policies and regulations to support locally-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include store lease arrangements with community-based development organizations, initiatives to recruit local residents into management positions, encourage indigenous or Aboriginal participation on our Board of Directors, and direct investment

in the Company by locally-owned entities. To the extent the Company is not successful in maintaining positive community and customer relations in these locations, or is unable to renew lease agreements with community-based organizations, it could have an adverse effect on sales and financial performance.

Employee Development and Retention Retaining and developing high calibre employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography and remoteness of the Company's markets, there is significant competition for talent and a limited number of experienced personnel, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies. In 2010, the Company began work on the store stability initiative. This initiative, which is part of the long-range plan, is focused on having all stores reach a targeted level of capability and stability within three years. In addition to compensation programs that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based manager-in-training programs and the Company's in-depth leadership development program. These types of programs are long-term management investments that continue to be refined.

Food Safety The Company is exposed to risks associated with food safety and product handling. Food sales represent approximately 76% of total Company sales. A significant outbreak of a food-borne illness or increased public concerns with certain food products could have an adverse effect on the financial performance of the Company. The Company has food preparation, handling and storage procedures which help mitigate these risks. The Company also has product recall procedures in place in the event of a food-borne illness outbreak. The existence of these procedures does not eliminate the underlying risks and the ability of these procedures to mitigate risk in the event of a food-borne illness is dependent on their successful execution.

Fuel and Utility Costs Compared to other retailers, the Company is more exposed to fluctuations in the price of energy, particularly oil. Due to the vast geography and remoteness of the store network, expenses related to aviation fuel, diesel-generated electricity, and heating fuel costs are a more significant component of the Company's and its customers' expenses compared to other companies in the retail industry. To the extent that escalating fuel and utility costs cannot be offset by energy conservation practices or offsetting productivity gains, they may result in lower margins or higher retail prices which may affect the Company's financial performance. Consumer spending, especially on discretionary items, may also be adversely affected.

Income Taxes The Company accounts for income taxes using the liability method of tax allocation. Under the liability method, deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying

values 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 deferred income tax assets or liabilities are expected to be realized or settled. The provision for income taxes is recorded in the Company at applicable statutory rates.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

Environmental The Company owns a large number of facilities and real estate, particularly in remote locations, and is subject to environmental risks associated with the contamination of such facilities and properties. The Company operates gasoline dispensing units in a number of locations and also uses fuel to heat stores and housing. Contamination resulting from gasoline and heating fuel is possible. The Company employs monitoring and testing procedures to minimize the risk of contamination. The Company also operates refrigeration equipment in its stores and distribution centers which, if the equipment fails, could release gases that may be harmful to the environment. The Company has monitoring and preventative maintenance procedures to reduce the risk of this contamination occurring. Even with these risk mitigation policies and procedures, the Company could incur increased or unexpected costs related to environmental incidents and remediation activities, including litigation and regulatory compliance costs, all of which could have an adverse effect on the reputation and financial condition and financial performance of the Company.

Insurance The Company manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Company's insurance program is based on various lines and limits of coverage. Insurance is arranged with financially stable insurance companies as rated by the professional rating agencies. There is no guarantee that any given risk will be mitigated in all circumstances or that the Company will be able to continue to purchase this insurance coverage at reasonable rates.

Climate Weather conditions can play a significant role in the operation of the stores of the Company's operating subsidiaries. These weather conditions can range from blizzards to hurricanes and cyclones, and can cause loss of life, damage to and destruction of key stores. Such losses may have an adverse effect on the financial condition and performance. As well, any global warming conditions would have a more pronounced effect, both positive and negative, on the Company's most northern latitude stores. The stores located in the South Pacific, Caribbean and coastal areas of Alaska are also at risk from

hurricanes, cyclones, typhoons, earthquakes and tsunamis which can result in loss of life and destruction of assets.

Information Technology The Company relies on information technology ("IT") to support the current and future requirements of the business. IT systems are relied upon to provide essential information to management for decision making. Any significant failure or disruption in IT systems, or the failure to successfully upgrade legacy systems or implement new systems could have an adverse effect on the financial condition and results of operations. In 2012, the Company will begin implementing a transportation management system ("TMS"). Failure by the Company to successfully implement this system could cause disruption in the flow of merchandise to the stores, which could negatively affect the reputation and financial performance of the Company. Furthermore, the failure to integrate the TMS with other IT systems and implement appropriate processes to support the TMS may result in failing to capture planned efficiency and effectiveness gains. To mitigate these risks, the Company has engaged an implementation partner and instilled a strong governance structure and disciplined project management.

Laws, Regulations and Standards The Company is subject to various laws and regulations administered by federal, provincial and foreign regulatory authorities, including but not limited to income, commodity and other taxes, duties, currency repatriation, zoning, health and safety, employment standards, privacy laws and licensing requirements. New accounting standards and pronouncements or changes in accounting standards, including the transition to International Financial Reporting Standards, may also impact the Company's financial results. These laws, regulations and standards and their interpretation by various courts and agencies are subject to change. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws, regulations and standards could result in financial penalties, assessments, sanctions, or legal action that could have an adverse effect on the reputation and the financial performance of the Company.

Management of Inventory Success in the retail industry is dependent upon the ability to manage merchandise inventories in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess inventory for some products and missed sales opportunities for others. Excess inventory may result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial performance of the Company.

Vendor and Service Partner Management The Company relies on a broad base of manufacturers and suppliers to provide goods and services. Events or disruptions affecting these suppliers outside of the Company's control could in turn result in delays in the delivery of merchandise to the stores and therefore negatively impact financial performance. A portion of the merchandise the Company sells is purchased offshore. Offshore sourcing could provide products that contain harmful or banned substances or do not meet the required standards. The Company uses offshore consolidators and sourcing agents

to monitor product quality and reduce the risk of sub-standard products however, there is no certainty that these risks can be completely mitigated in all circumstances.

Ethical Business Conduct The Company has a Code of Business Conduct and Ethics policy which governs both employees and Directors. The Business Ethics Committee monitors compliance with the Code of Business Conduct and Ethics. The Company also has a Vendor Information Manual which outlines the Company's expectations for the ethical conduct of its vendors. Unethical business conduct could negatively impact the Company's reputation and relationship with its customers, investors, and employees, which in turn could have an adverse effect on the financial performance of the Company.

Geopolitical Changes in the domestic or international political environment may impact the Company's ability to source and provide products and services. Acts of terrorism, riots, and political instability could have an adverse effect on the financial condition and results of operations.

Post-Employment Benefits The Company engages professional investment advisors to manage the assets in the defined benefit pension plans. The performance of the Company's pension plans and the plan funding requirements are impacted by the returns on plan assets, changes in the discount rate and regulatory funding requirements. The Company regularly monitors and assesses the performance of the pension plan assets and the impact of changes in capital markets, changes in plan member demographics, and other economic factors that may impact funding requirements, benefit plan expenses and actuarial assumptions. If capital market returns are below the level estimated by management, or if the discount rate used to value the liabilities of the plans decreases, the Company may be required to make contributions to its defined benefit pension plans in excess of those currently contemplated, which may have an adverse effect on the Company's financial condition and performance.

Financial Risks In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company manages financial risk with oversight provided by the Board of Directors, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes. These risks and the actions taken to minimize the risks are described below. See Note 14 to the consolidated financial statements for additional information on the Company's financial instruments and associated risks.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not have any individual customer accounts greater than 10% of total accounts receivable.

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2012, the Company had undrawn committed revolving loan facilities available of \$126.4 million (January 31, 2011 - \$94.6 million). The Company's International Operations has a US\$20.0 million loan facility that matures on October 31, 2012. The Company does not anticipate any difficulty in refinancing this loan facility however, global economic conditions continue to result in uncertainty and volatility in the credit markets which may negatively impact the availability of credit, interest rates and covenants for Companies seeking to refinance debt. To the extent the Company cannot meet its obligations or refinance its debt when it comes due, or can do so only at an excessive cost, this may have an adverse effect on the financial condition and financial performance of the Company. For further information on loan facilities, see Note 11 to the consolidated financial statements.

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in International Operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging the net investment in foreign operations with a portion of U.S. dollar denominated borrowings. The Company is also exposed to currency risk relating to the translation of International Operations earnings from U.S. dollars to Canadian dollars. During 2011, the Canadian dollar was on average stronger than the U.S. dollar compared to 2010. In 2010, the Canadian dollar was on average stronger than the U.S. dollar compared to 2009. The stronger Canadian dollar in 2011 decreased the translation of U.S. denominated net earnings from International Operations by \$0.4 million compared to a decrease in the translation of net earnings of \$1.2 million in 2010 compared to 2009.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by using a combination of interest rate swaps and a mixture of fixed and floating interest rate debt. Additional information regarding interest rate swaps is provided in Note 11 and Note 14 to the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on management's historical experience, knowledge of current events, expectations of future outcomes and other factors that management considers reasonable under the circumstances. Actual results could differ from these estimates as confirming events occur. The estimates and assumptions described in this section depend upon subjective or complex judgments about matters that may be uncertain and changes in these estimates and assumptions could materially impact the consolidated financial statements.

Valuation of Accounts Receivable The Company records an allowance for doubtful accounts related to accounts receivable that may potentially be impaired. The allowance is based on the aging of the accounts receivable, our knowledge of our customers' financial condition, the current business environment and historical experience. A significant change in one or more of these factors could impact the estimated allowances for doubtful accounts recorded in the consolidated balance sheet and the provisions for debt loss recorded in the consolidated statement of earnings.

Valuation of Inventories Retail inventories are stated at the lower of cost and net realizable value. Significant estimation or judgment is required in the determination of: (1) discount factors used to convert inventory to cost after a physical count at retail has been completed; (2) recognizing merchandise for which the customer's perception of value has declined and appropriately marking the retail value of the merchandise down to the perceived value; and (3) estimating inventory losses, or shrinkage, occurring between the last physical count and the balance sheet date.

Food inventories counted at retail are converted to cost by applying a discount factor to retail selling prices. This discount factor is calculated in relation to historical gross margins and is reviewed on a regular basis for reasonableness. General merchandise inventories counted at retail are converted to cost by applying average cost factors by merchandise category. These cost factors represent the average cost-to-retail ratio for each merchandise category based on beginning inventory and purchases made throughout the year.

Inventory shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory count to the balance sheet date. The estimate is based on experience and the most recent physical inventory results. To the extent that actual losses experienced vary from those estimated, both inventories and cost of sales may be impacted.

Changes or differences in these estimates may result in changes to inventories on the consolidated balance sheet and a charge or credit to cost of sales in the consolidated statement of earnings. Additional information regarding inventories is provided in Note 6 to the consolidated financial statements.

Post-Employment Benefits The cost and accrued benefit plan obligations of the Company's defined benefit pension plans are accrued based on actuarial valuations which are dependent on assumptions determined by management. These assumptions include the discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets, the rate of compensation increase, retirement ages, and mortality rates. These assumptions are reviewed by management and the Company's actuaries.

The discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets and the rate of compensation increase are the three most significant assumptions. The discount rate used to calculate benefit plan obligations is based on market interest rates, as at the Company's measurement date of January 31, 2012 on a portfolio of Corporate AA bonds with terms to maturity that, on average, matches the terms of the accrued benefit plan obligations. The discount rates used to measure the benefit plan obligations for fiscal 2011 and 2010 were 4.5% and 5.8% respectively. The expected long-term rate of return on plan assets is based on historical returns, the asset mix and current investment yields. The expected long-term rate of return on plan assets for fiscal 2011 and 2010 was 6.5%. Management assumed the rate of compensation increase for fiscal 2011 and 2010 at 4%.

These assumptions may change in the future and may result in material changes in the defined benefit plan obligation on the Company's consolidated balance sheet, the defined benefit plan expense on the consolidated statement of earnings and the net actuarial gains or losses recognized in comprehensive income and retained earnings. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. Additional information regarding the Company's post-employment benefits is provided in Note 12 to the consolidated financial statements.

Impairment of Long-lived Assets The Company assesses the recoverability of values assigned to long-lived assets quarterly after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. If there is an indication of impairment, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For tangible and intangible assets excluding goodwill, the CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Any impairment charge is recognized in the consolidated statement of earnings in the period in which it occurs, to the extent that the carrying value exceeds its recoverable amount.

The underlying estimates for cash flows include estimates for future sales, gross margin rates and store expenses, and are based upon the stores' past and expected future performance. Changes which may impact future cash flows include, but are not limited to, competition, general economic conditions and unrecoverable

increases in operating costs. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings.

Goodwill Goodwill is not amortized but is subject to an impairment test annually and whenever indicators of impairment are detected. Goodwill is allocated to CGU's that are expected to benefit from the synergies of the related business combination and represents the lowest level within the Company at which goodwill is monitored for internal management purposes, which is the Company's International Operating segment before aggregation.

The value of the goodwill was tested by means of comparing the recoverable amount of the operating segment to its carrying value. To calculate the operating segment's recoverable amount, the Company uses the capitalized earnings method. The product of maintainable earnings and a capitalization rate are used to determine the recoverable amount. The capitalization rate is based on the International Operations weighted-average cost of capital. Key assumptions in the capitalization rate include: equity risk premium, debt-to-equity ratio, pre-tax cost of debt capital and company specific risk premium. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings.

The Company performed the annual goodwill impairment test in 2011 and it was determined that the recoverable amount of the International Operations operating segment exceeded its carrying value and therefore, no goodwill impairment was identified.

Income Taxes Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment regarding the financial statement carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances. The deferred income tax assets and liabilities are also impacted by the interpretation of income tax legislation across various jurisdictions, expectations about future financial results and the timing of reversal of temporary differences, and possible audits of tax filings by the regulatory agencies.

Changes or differences in these estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 9 to the consolidated financial statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Accounting Standards Board of the Canadian Institute of Chartered Accountants required all publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the transition from previous Canadian generally accepted accounting principles (CGAAP) to IFRS was applicable to the Company's financial reporting for the year ended January 31, 2012 ("2011") commencing with the first quarter beginning February 1, 2011. The comparative financial information for 2010 was also restated to conform with IFRS. The transition from CGAAP to IFRS impacted the Company's accounting, financial statements and disclosures, information systems, internal controls over financial reporting and disclosure controls and procedures. Financial reporting under IFRS differs from CGAAP in a number of respects, some of which are significant. The transition to IFRS resulted in an increase in assets of \$4.7 million, an increase in liabilities of \$13.1 million and a decrease in shareholders' equity of \$8.4 million on the Company's February 1, 2010 opening transition balance sheet. The increase in liabilities and decrease in shareholders' equity was primarily related to differences in accounting for post-employment benefits and income taxes. The decrease in 2010 net earnings reported under IFRS is primarily due to the Company's conversion to a share corporation and the application of corporate tax rates used to calculate deferred tax assets. An explanation of the transition from CGAAP to IFRS as well as reconciliations prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* is provided in Note 24 to the consolidated financial statements.

In connection with the transition to IFRS, the Company completed a review of the impact of IFRS on disclosure controls and internal controls over financial reporting to ensure appropriate controls and procedures are in place. There were no material changes in disclosure controls and internal controls over financial reporting as a result of adopting IFRS.

FUTURE ACCOUNTING STANDARDS

The Company is currently assessing the impact of the following standards that may apply in future periods. Unless otherwise noted, the following revised standards and amendments are effective for the Company's annual periods beginning February 1, 2013.

Financial Instruments: Disclosures The IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures* to expand the disclosure requirements for transfers of financial assets. The Company will apply the amendment for its financial year beginning February 1, 2012 and does not expect its implementation to have a significant impact on its disclosures.

Consolidated Financial Statements The IASB issued IFRS 10, *Consolidated Financial Statements* replacing portions of IAS 27, *Consolidated and Separate Financial Statements* addressing consolidation and superseding Standing Interpretations Committee (SIC) Interpretation 12 in its entirety. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

Joint Arrangements The IASB issued IFRS 11, *Joint Arrangements* superseding IAS 31, *Interest in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non Monetary Contributions by Venturers*. IFRS 11 establishes principles for determining the type of joint arrangement by assessing the venturers' rights and obligations. This standard provides guidance for financial reporting activities required by entities that have an interest in a jointly controlled arrangement. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation the venturer will recognize its share of the ventures' assets, liabilities, revenues and expenses.

Disclosure of Interests in Other Entities The IASB issued IFRS 12, *Disclosure of Interests in Other Entities* requiring extensive disclosures relating to a company's interest in subsidiaries, associates and certain other arrangements. IFRS 12 enables financial statement users to evaluate the nature and risks associated with these interests and evaluate their effect on its own financial performance.

Employee Benefits The IASB has revised IAS 19, *Employee Benefits* to eliminate the option to defer the recognition of actuarial gains and losses, enhance the guidance around measurement of plan assets and benefit obligations, and streamline the presentation of changes in assets and liabilities arising from defined benefit plans including enhanced disclosure requirements.

Income Taxes The IASB has issued an amendment to IAS 12, *Income Taxes* introducing an exception to the general measurement requirements of IAS 12 for investment properties measured at fair value. The Company does not expect this

change to have a significant effect on its consolidated financial statements.

Financial Instruments The IASB has issued a new standard which will eventually replace IAS 39, *Financial Instruments: Recognition and Measurement*. The development of IFRS 9, *Financial Instruments* is a multi-phase project with a goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset based on how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with only two categories: amortized cost and fair value through profit or loss. This standard is effective for the Company's financial year beginning February 1, 2015.

Presentation of Financial Statements The IASB has amended IAS 1, *Presentation of Financial Statements* to enhance the presentation of Other Comprehensive Income (OCI). These amendments require the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity.

Fair Value Measurement IFRS 13, *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Financial Instruments The IASB has issued amendments to IFRS 7, *Financial Instruments: Disclosures* and IAS 32, *Financial Instruments: Presentation* which clarify the requirements for offsetting financial assets and financial liabilities along with new disclosure requirements for financial assets and liabilities that are offset. These amendments are effective for the Company's financial years beginning February 1, 2014 and February 1, 2013 respectively.

NON-GAAP FINANCIAL MEASURES

(1) Trading Profit (EBITDA) is not a recognized measure under IFRS. Management believes that in addition to net earnings, trading profit is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned however, that trading profit should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating trading profit may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to trading profit or EBITDA is provided below:

Reconciliation of Net Earnings to Trading Profit (EBITDA)

(\$ in thousands)	2011	2010	CGAAP 2009
Net earnings	\$ 57,961	\$ 69,656	\$ 81,813
Add: Amortization	36,572	35,492	35,150
Interest expense	6,026	6,077	5,470
Income taxes	25,322	14,539	7,841
Trading profit (EBITDA)	\$ 125,881	\$ 125,764	\$ 130,274

For trading profit information by business segment, see Note 4 "Segmented Information" in the notes to the consolidated financial statements

(2) Earnings From Operations (EBIT) is not a recognized measure under IFRS. Management believes that EBIT is a useful measure as it provides investors with an indication of the performance of the consolidated operations and/or business segments, prior to interest expense and income taxes. Investors should be cautioned however, that EBIT should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBIT may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to EBIT is provided below:

Reconciliation of Net Earnings to EBIT

(\$ in thousands)	2011	2010	CGAAP 2009
Net earnings	\$ 57,961	\$ 69,656	\$ 81,813
Add: Interest expense	6,026	6,077	5,470
Income taxes	25,322	14,539	7,841
Earnings from operations (EBIT)	\$ 89,309	\$ 90,272	\$ 95,124

For earnings from operations (EBIT) information by business segment, see Note 4 "Segmented Information" in the notes to the consolidated financial statements

(3) Return on Net Assets (RONA) is not a recognized measure under IFRS. Management believes that RONA is a useful measure to evaluate the financial return on the net assets used in the business. RONA is calculated as earnings from operations (EBIT) for the year divided by average monthly net assets. The following table reconciles net assets used in the RONA calculation to IFRS measures reported in the audited consolidated financial statements as at January 31:

(\$ in thousands)	2011	2010	CGAAP 2009
Total assets	\$ 626.9	\$ 616.6	\$ 623.8
Less: Current liabilities	(127.4)	(117.1)	(115.3)
Other long-term liabilities	(39.9)	(20.4)	(9.4)
Net Assets Employed	\$ 459.6	\$ 479.1	\$ 499.1

(4) Return on Equity (ROE) is not a recognized measure under IFRS. Management believes that ROE is a useful measure to evaluate the financial return on the amount invested by shareholders. ROE is calculated by dividing net earnings for the year by average monthly total shareholders' equity. There is no directly comparable IFRS measure for return on equity.

GLOSSARY OF TERMS

Basic earnings per share Net earnings available to shareholders divided by the weighted average number of shares outstanding during the period.

Basis point A unit of measure that is equal to 1/100th of one percent.

CGAAP (Canadian generally accepted accounting principles)

The consolidated financial statements for the fiscal years 2009 and prior were prepared in accordance with Canadian generally accepted accounting principles as issued by the Canadian Institute of Chartered Accountants.

Compound Annual Growth Rate (CAGR) The compound annual growth rate is the year-over-year percentage growth rate over a given period of time.

Control label or Private label A brand or related trademark that is owned by the Company for use in connection with its own products and services.

Debt loss An expense resulting from the estimated loss on potentially uncollectible accounts receivable.

Debt covenants Restrictions written into banking facilities and senior notes and loan agreements that prohibit the Company from taking actions that may negatively impact the interests of the lenders.

Debt-to-equity ratio Provides information on the proportion of debt and equity the Company is using to finance its operations and calculated by total debt divided by shareholder equity.

Diluted earnings per share The amount of net earnings for the period available to shareholders divided by the weighted-average number of shares outstanding during the period including the impact of all potential dilutive outstanding shares at the end of the period.

Earnings from operations (EBIT) Net earnings before interest and income taxes provides an indication of the Company's performance prior to interest expense and income taxes. See Non-GAAP financial measures on page 26.

EBIT margin EBIT divided by sales.

Fair value The amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Gross profit Sales less cost of goods sold and inventory shrinkage.

Gross profit rate Gross profit divided by sales.

Hedge A risk management technique used to manage interest rate, foreign currency exchange or other exposures arising from business transactions.

Interest coverage Net earnings before interest and income taxes divided by interest expense.

IFRS (International Financial Reporting Standards) Effective for the 2011 fiscal year, the consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative financial information for the year ended January 31, 2011 ("2010") previously reported in the consolidated financial statements prepared in accordance with CGAAP has been restated in accordance with the accounting policies and financial statement presentation adopted under IFRS.

Return on equity Net earnings divided by average shareholder equity.

Return on net assets Net earnings before interest and income taxes divided by average net assets employed (average total assets less accounts payable and accrued liabilities, income taxes payable and asset retirement obligations).

Same store sales Retail sales from stores that have been open more than 52 weeks in the periods being compared.

Trading profit (EBITDA) Net earnings before interest, income taxes, depreciation and amortization provides an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. See Non-GAAP financial measures on page 26.

Trading profit margin Trading profit divided by sales.

Working capital Total current assets less total current liabilities.

Year The fiscal year ends on January 31. The 2011 year which ended January 31, 2012 had 365 days of operations. The 2010 year which ended January 31, 2011 had 365 days of operations. The 2009 year which ended January 31, 2010 had 365 days of operations. The 2008 year which ended January 31, 2009 had 366 days of operations as a result of the February 29 leap year. The 2007 year which ended January 31, 2008 had 365 days of operations.

Eleven-Year Financial Summary

Fiscal Year ¹ (\$ in thousands)	IFRS ² 2011	IFRS ² 2010	2009	2008	2007	2006
Consolidated Statements of Earnings						
Sales - Canadian Operations	\$ 1,028,396	\$ 978,662	\$ 921,621	\$ 899,263	\$ 852,773	\$ 769,633
Sales - International Operations	466,740	469,442	522,745	493,371	211,717	175,291
Sales - Total	1,495,136	1,448,104	1,444,366	1,392,634	1,064,490	944,924
Trading profit (EBITDA) ³ - Canadian Operations	97,998	98,781	96,599	90,606	87,410	81,730
Trading profit (EBITDA) ³ - International Operations	27,883	26,983	33,675	31,651	19,147	14,639
Trading profit (EBITDA) ³ - Total Operations	125,881	125,764	130,274	122,257	106,557	96,369
Amortization - Canadian Operations	28,745	27,511	26,727	24,501	22,634	22,248
Amortization - International Operations	7,827	7,981	8,423	7,553	4,316	3,924
Amortization - Total	36,572	35,492	35,150	32,054	26,950	26,172
Interest	6,026	6,077	5,470	8,307	7,465	6,844
Income tax provision	25,322	14,539	7,841	6,518	9,151	9,693
Net earnings	57,961	69,656	81,813	75,378	62,991	53,660
Cash flow from operating activities	114,658	114,564	107,973	90,178	93,591	81,486
Distributions/dividends paid during the year	50,797	68,700	67,245	67,730	54,667	38,702
Capital expenditures	345,565	35,225	45,294	46,118	44,409	30,136
Net change in cash	(4,247)	3,953	1,548	3,998	(368)	212
Consolidated Balance Sheets						
Current assets	\$ 295,836	\$ 284,789	\$ 285,843	\$ 285,088	\$ 254,061	\$ 226,164
Property and equipment	270,370	259,583	258,928	248,856	223,397	189,599
Other assets, intangible assets and goodwill	53,289	55,199	73,177	68,632	50,492	19,690
Future income taxes	7,422	17,017	5,852	6,597	1,720	6,416
Current liabilities	128,002	185,377	171,946	172,216	134,899	122,783
Long-term debt and other liabilities	215,206	144,736	161,928	162,547	138,470	67,056
Equity	283,709	286,475	289,926	274,410	256,301	252,030
Consolidated Dollar Per Unit/Share (\$)³						
Net earnings - basic	\$ 1.20	\$ 1.45	\$ 1.71	\$ 1.58	\$ 1.32	\$ 1.13
Net earnings - diluted	1.19	1.44	1.69	1.56	1.31	1.12
Trading profit ⁴	2.60	2.61	2.73	2.56	2.24	2.03
Cash flow from operating activities ⁴	2.37	2.38	2.26	1.89	1.96	1.71
Dividends/distributions paid during the year	1.05	1.42	1.39	1.40	1.13	0.80
Equity at end of fiscal year (basic shares/units outstanding)	5.86	5.92	6.04	5.75	5.37	5.29
Market price at January 31	19.40	21.09	17.94	16.14	18.42	16.41
Statistics at Year-End						
Number of stores - Canadian	183	184	180	178	176	168
Number of stores - International	46	46	46	43	44	32
Selling square feet (000's) end of year - Canadian Stores	1,483	1,445	1,423	1,396	1,368	1,226
Selling square feet (000's) end of year - International Stores	656	654	653	617	639	311
Sales per average selling square foot - Canadian	\$ 702	\$ 682	\$ 654	\$ 651	\$ 657	\$ 646
Sales per average selling square foot - International	\$ 713	\$ 718	\$ 752	\$ 723	\$ 410	\$ 601
Number of employees - Canadian Operations	5,233	5,301	5,358	5,408	5,359	5,833
Number of employees - International Operations	1,668	1,601	1,545	1,339	1,502	806
Average shares/units outstanding (000's)	48,378	48,180	47,799	47,718	47,649	47,561
Shares/units outstanding at end of fiscal year (000's)	48,378	48,378	48,017	47,722	47,701	47,625
Shares/units traded during the year (000's)	24,418	24,814	20,080	16,402	17,330	13,167
Financial Ratios						
Trading profit ³ (%)	8.4	8.7	9.0	8.8	10.0	10.2
Earnings from operations ³ (EBIT) (%)	6.0	6.2	6.6	6.5	7.5	7.4
Total return on net assets ³ (%)	18.5	17.9	18.7	19.8	21.0	19.7
Return on average equity ³ (%)	20.1	24.1	29.3	28.6	24.9	21.7
Debt-to-equity	.62:1	.67:1	.72:1	.78:1	.62:1	.43:1
Dividends/distributions as % of cash flow from operating activities	44.3	60.0	62.3	75.1	58.4	47.5
Inventory turnover (times)	5.7	5.6	5.6	5.8	5.3	5.1

1 The fiscal year changed from the last Saturday in January to January 31 effective January 31, 2007. Each year includes 52 weeks of operations with the exception of 2003, which had 53 weeks of operations.

2 The financial results for 2011 and 2010 are reported in accordance with International Financial Reporting Standards (IFRS) and 2009 and prior are reported in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). An explanation of the transition from CGAAP to IFRS is provided in Note 24 of the 2011 Consolidated Financial Statements.

2005	2004	2003	2002	2001	Fiscal Year ¹ (\$ in thousands)
Consolidated Statements of Earnings					
\$ 689,340	\$ 629,822	\$ 615,661	\$ 565,747	\$ 532,349	Sales - Canadian Operations
160,313	158,871	167,059	184,012	171,694	Sales - International Operations
849,653	788,693	782,720	749,759	704,043	Sales - Total
70,561	62,629	57,663	59,163	60,337	Trading profit (EBITDA) ³ - Canadian Operations
14,941	13,977	15,163	13,108	10,198	Trading profit (EBITDA) ³ - International Operations
85,502	76,606	72,826	72,271	70,535	Trading profit (EBITDA) ³ - Total Operations
21,103	19,977	18,413	18,976	19,301	Amortization - Canadian Operations
3,910	3,928	3,988	3,696	3,393	Amortization - International Operations
25,013	23,905	22,401	22,672	22,694	Amortization - Total
6,120	5,761	6,299	6,681	10,501	Interest
11,479	9,675	8,396	8,449	8,325	Income tax provision
42,890	37,265	35,730	34,469	29,015	Net earnings
75,289	48,925	66,780	59,360	48,755	Cash flow from operating activities
30,317	29,105	30,639	25,157	21,375	Dividends/distributions paid during the year
24,833	22,323	33,273	20,128	20,427	Capital expenditures
10,450	(5,189)	6,176	475	1,388	Net change in cash
Consolidated Balance Sheets					
\$ 218,742	\$ 208,188	\$ 196,830	\$ 209,900	\$ 219,956	Current assets
182,108	186,104	192,395	188,194	194,025	Property and equipment
17,306	12,253	12,153	10,775	9,836	Other assets, intangible assets and goodwill
5,693	7,932	8,222	9,322	9,358	Future income taxes
95,467	88,284	83,140	91,995	204,017	Current liabilities
85,809	89,908	97,982	106,812	9,634	Long-term debt and other liabilities
242,573	236,285	228,478	219,384	219,524	Equity
Consolidated Dollar Per Unit/Share (\$)⁵					
\$ 0.90	\$ 0.78	\$ 0.75	\$ 0.72	\$ 0.65	Net earnings - basic
0.89	0.77	0.74	0.71	0.65	Net earnings - diluted
1.79	1.60	1.52	1.50	1.58	Trading profit ⁴
1.58	1.02	1.40	1.24	1.09	Cash flow from operating activities ⁴
0.63	0.60	0.63	0.52	0.49	Dividends/distributions paid during the year
5.11	4.95	4.78	4.59	4.54	Equity at end of fiscal year (basic shares/units outstanding)
12.50	10.22	7.88	6.90	5.73	Market price at January 31
Statistics at Year-End					
164	159	156	154	153	Number of stores - Canadian
27	25	25	25	24	Number of stores - International
1,157	1,093	1,106	1,070	1,050	Selling square feet (000's) end of year - Canadian Stores
272	255	254	245	244	Selling square feet (000's) end of year - International Stores
\$ 613	\$ 573	\$ 566	\$ 534	\$ 515	Sales per average selling square foot - Canadian
\$ 608	\$ 624	\$ 669	\$ 752	\$ 712	Sales per average selling square foot - International
5,175	4,830	4,552	4,270	4,015	Number of employees - Canadian Operations
732	692	736	657	690	Number of employees - International Operations
47,694	47,754	47,820	48,021	44,688	Average shares/units outstanding (000's)
47,463	47,700	47,799	47,844	48,378	Shares/units outstanding at end of fiscal year (000's)
6,956	7,393	7,207	7,617	4,776	Shares/units traded during the year (000's)
Financial Ratios					
10.1	9.7	9.3	9.6	10.0	Trading profit ³ (%)
7.1	6.7	6.4	6.6	6.8	Earnings from operations (EBIT) ³ (%)
16.6	14.8	14.1	13.4	12.7	Total return on net assets ³ (%)
18.0	16.2	16.0	15.8	14.9	Return on average equity ³ (%)
.46:1	.51:1	.56:1	.62:1	.69:1	Debt-to-equity
40.3	59.5	46.0	42.4	43.8	Dividends/distributions as % of cash flow from operating activities
4.6	4.2	4.1	3.7	3.3	Inventory turnover (times)

³ See Non-GAAP financial measures on page 26.

⁴ Based on average basic shares/units outstanding.

⁵ Effective January 1, 2011 North West Company Fund converted to a share corporation called The North West Company Inc. The comparative information refers to units of the Fund. On September 20, 2006 the units were split on a three-for-one basis. All per unit information has been restated to reflect the three-for-one split except trading volume.

Management's Responsibility for Financial Statements

The management of The North West Company Inc. are responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements and all other information in this annual financial report. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board 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 information, 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 shareholders rests with the Board of Directors. The Audit Committee of the Board of Directors, consisting of independent Directors, meets periodically with management 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 the Board of Directors. The Audit Committee also recommends the independent auditor for appointment by the shareholders.

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



Edward S. Kennedy
PRESIDENT & CEO
THE NORTH WEST COMPANY INC.



John D. King
CHIEF FINANCIAL OFFICER
THE NORTH WEST COMPANY INC.

APRIL 9, 2012

Independent Auditor's Report

To the Shareholders of The North West Company Inc.:

We have audited the accompanying consolidated financial statements of The North West Company Inc. and its subsidiaries, which comprise the consolidated balance sheets as at January 31, 2012, January 31, 2011 and February 1, 2010 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years ended January 31, 2012 and January 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The North West Company Inc. and its subsidiaries as at January 31, 2012, January 31, 2011 and February 1, 2010 and their financial performance and their cash flows for the years ended January 31, 2012 and January 31, 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

APRIL 9, 2012

Consolidated Balance Sheets

(\$ in thousands)	January 31, 2012	January 31, 2011	February 1, 2010
CURRENT ASSETS			
Cash	\$ 26,984	\$ 31,231	\$ 27,278
Accounts receivable (Note 5)	76,539	70,180	71,767
Inventories (Note 6)	186,124	177,019	177,877
Prepaid expenses	6,189	6,359	4,786
	295,836	284,789	281,708
NON-CURRENT ASSETS			
Property and equipment (Note 7)	270,370	259,583	262,027
Goodwill (Note 8)	26,319	26,241	28,593
Intangible assets (Note 8)	14,620	17,147	18,332
Deferred tax assets (Note 9)	7,422	17,017	26,747
Other assets (Note 10)	12,350	11,811	11,113
	331,081	331,799	346,812
TOTAL ASSETS	\$ 626,917	\$ 616,588	\$ 628,520
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 122,349	\$ 116,773	\$ 113,407
Current portion of long-term debt (Note 11)	629	68,257	56,651
Income tax payable (Note 9)	5,024	347	1,888
	128,002	185,377	171,946
NON-CURRENT LIABILITIES			
Long-term debt (Note 11)	175,263	124,339	152,519
Provisions	4,016	3,784	3,616
Defined benefit plan obligation (Note 12)	27,616	9,000	10,957
Deferred tax liabilities (Note 9)	2,440	2,587	1,521
Other long-term liabilities	5,871	5,026	6,408
	215,206	144,736	175,021
TOTAL LIABILITIES	343,208	330,113	346,967
SHAREHOLDERS' EQUITY			
Share capital (Note 15)	165,133	165,133	165,133
Unit Purchase Loan Plan (Note 13)	-	-	(6,428)
Contributed surplus	3,180	2,491	1,569
Retained earnings	115,991	119,739	121,279
Accumulated other comprehensive income	(595)	(888)	-
TOTAL EQUITY	283,709	286,475	281,553
TOTAL LIABILITIES & EQUITY	\$ 626,917	\$ 616,588	\$ 628,520

See accompanying notes to consolidated financial statements, including Note 24 which reconciles amounts previously reported under Canadian generally accepted accounting principles (Canadian GAAP) to International Financial Reporting Standards (IFRS)

Approved on behalf of the Board of Directors

"Gary J. Lukassen"
DIRECTOR

"H. Sanford Riley"
DIRECTOR

Consolidated Statements of Earnings

(\$ in thousands, except per share amounts)	Year Ended January 31, 2012	Year Ended January 31, 2011
SALES	\$ 1,495,136	\$ 1,448,104
Cost of sales	(1,067,153)	(1,034,772)
Gross profit	427,983	413,332
Selling, operating and administrative expenses (Notes 16, 17)	(338,674)	(323,060)
Earnings from operations	89,309	90,272
Interest expense (Note 18)	(6,026)	(6,077)
Earnings before income taxes	83,283	84,195
Provision for income taxes (Note 9)	(25,322)	(14,539)
NET EARNINGS FOR THE YEAR	\$ 57,961	\$ 69,656
NET EARNINGS PER SHARE (Note 20)		
Basic	\$ 1.20	\$ 1.45
Diluted	\$ 1.19	\$ 1.44
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000'S)		
Basic	48,378	48,180
Diluted	48,525	48,512

See accompanying notes to consolidated financial statements, including Note 24 which reconciles amounts previously reported under Canadian GAAP to IFRS

Consolidated Statements of Comprehensive Income

(\$ in thousands)	Year Ended January 31, 2012	Year Ended January 31, 2011
NET EARNINGS FOR THE YEAR	\$ 57,961	\$ 69,656
Other comprehensive income/(expense):		
Exchange differences on translation of foreign controlled subsidiaries, net of tax	293	(888)
Actuarial losses on defined benefit plans, net of tax (Note 12)	(15,266)	(1,046)
Total other comprehensive income, net of tax	(14,973)	(1,934)
COMPREHENSIVE INCOME FOR THE YEAR	\$ 42,988	\$ 67,722

See accompanying notes to consolidated financial statements, including Note 24 which reconciles amounts previously reported under Canadian GAAP to IFRS

Consolidated Statements of Changes in Shareholders' Equity

(\$ in thousands)	Share Capital	Unit Purchase Loan Plan	Contributed Surplus	Retained Earnings	AOCI ⁽¹⁾	Total
Balance at January 31, 2011	\$ 165,133	\$ –	\$ 2,491	\$ 119,739	\$ (888)	\$ 286,475
Net earnings for the year	–	–	–	57,961	–	57,961
Other comprehensive income	–	–	–	(15,266)	293	(14,973)
Comprehensive income	–	–	–	42,695	293	42,988
Equity settled share-based payments	–	–	689	–	–	689
Dividends (Note 19)	–	–	–	(46,443)	–	(46,443)
	–	–	689	(46,443)	–	(45,754)
Balance at January 31, 2012	\$ 165,133	\$ –	\$ 3,180	\$ 115,991	(595)	283,709
Balance at February 1, 2010	\$ 165,133	\$ (6,428)	\$ 1,569	\$ 121,279	\$ –	\$ 281,553
Net earnings for the year	–	–	–	69,656	–	69,656
Other comprehensive income	–	–	–	(1,046)	(888)	(1,934)
Comprehensive income	–	–	–	68,610	(888)	67,722
Equity settled share-based payments	–	–	922	–	–	922
Distributions (Note 19)	–	–	–	(70,150)	–	(70,150)
UPLP repayment	–	6,428	–	–	–	6,428
	–	6,428	922	(70,150)	–	(62,800)
Balance at January 31, 2011	\$ 165,133	\$ –	\$ 2,491	\$ 119,739	\$ (888)	\$ 286,475

(1) Accumulated Other Comprehensive Income

See accompanying notes to consolidated financial statements, including Note 24 which reconciles amounts previously reported under Canadian GAAP to IFRS

Consolidated Statements of Cash Flows

(\$ in thousands)	Year Ended January 31, 2012	Year Ended January 31, 2011
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings for the year	\$ 57,961	\$ 69,656
Adjustments for:		
Amortization	36,572	35,492
Provision for income taxes (Note 9)	25,322	14,539
Interest expense (Note 18)	6,026	6,077
Equity settled share option expense (Note 13)	689	733
Taxes paid	(6,195)	(8,200)
Amortization of deferred financing costs	227	217
(Gain)/Loss on disposal of property and equipment	438	(110)
	121,040	118,404
Change in non-cash working capital	(4,027)	613
Change in other non-cash items	(2,355)	(4,453)
Cash from operating activities	114,658	114,564
Investing Activities		
Purchase of property and equipment	(45,565)	(35,225)
Proceeds from disposal of property and equipment	428	1,101
Cash from investing activities	(45,137)	(34,124)
Financing Activities		
Decrease in long-term debt	(13,360)	(8,691)
Repayment of long-term debt	(3,676)	-
Dividends/distributions (Note 19)	(50,797)	(68,700)
Repayments under Unit Purchase Loan Plan (Note 13)	-	6,428
Interest paid	(5,935)	(5,524)
Cash from financing activities	(73,768)	(76,487)
NET CHANGE IN CASH	(4,247)	3,953
Cash, beginning of year	31,231	27,278
CASH, END OF YEAR	\$ 26,984	\$ 31,231

See accompanying notes to consolidated financial statements, including Note 24 which reconciles amounts previously reported under Canadian GAAP to IFRS

Notes to Consolidated Financial Statements

(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

January 31, 2012 and 2011

1. ORGANIZATION

The North West Company Inc. (NWC or the Company) is a corporation amalgamated under the Canada Business Corporations Act (CBCA) and governed by the laws of Canada. The Company, through its subsidiaries, is a leading retailer of food and everyday products and services. The address of its registered office is 77 Main Street, Winnipeg, Manitoba.

On January 1, 2011, North West Company Fund (NWF or the Fund) was reorganized by way of a plan of arrangement under section 192 of the CBCA into a corporation pursuant to an amended and restated arrangement agreement dated November 29, 2010 between the Fund and various subsidiaries of the Fund (the Arrangement). The purpose of the Arrangement was to convert the Fund from an income trust into a publicly traded share corporation. Under the Arrangement, unitholders received one common share of the Company for each trust unit of the Fund that was held. In connection with the Arrangement, the Company assumed all of the covenants and obligations of the Fund.

The Company is considered to be a continuation of the Fund following the continuity of interests method of accounting. This method recognizes the Company as the successor entity to the Fund and accordingly, these consolidated financial statements reflect the financial position, financial performance and cash flows as if the Company had always carried on the business formerly carried on by the Fund. In these and future consolidated financial statements, the Company refers to common shares, shareholders and dividends which were formerly referred to as units, unitholders and distributions under the Fund.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on April 9, 2012.

2. BASIS OF PREPARATION

(A) Statement of Compliance These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). These are the Company's first annual consolidated financial statements prepared under IFRS as Canadian

GAAP and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition from Canadian GAAP to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 24.

(B) Basis of Measurement The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for the following which are measured at fair value:

- Derivative financial instruments
- Financial instruments designated at fair value
- Liabilities for share-based payment plans
- Defined benefit pension plan

The methods used to measure fair values are discussed further in the notes to these financial statements.

(C) Functional and Presentation Currency The presentation currency of the consolidated financial statements is Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise stated, and has been rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied to all years presented in these consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

(A) Basis of Consolidation Subsidiaries are entities controlled, either directly or indirectly, by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities and is generally accompanying a shareholding of more than 50%. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases.

Joint ventures are those entities over which the Company has joint control, established by contractual agreement. The Company's share of its joint ventures has been classified as a jointly controlled entity. Its results are included in the consolidated statements of earnings using the equity method of accounting. Joint ventures are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Company's share of net assets of the entity, less any impairment in value.

All significant inter-company amounts and transactions have been eliminated.

(B) Business Combinations Business combinations are accounted for using the acquisition method of accounting. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange.

Acquisition costs incurred are expensed and included in selling, operating and administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with International Accounting Standard (IAS) 39 either in net earnings or as a change to other comprehensive income (OCI). If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. The excess of the cost of the acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of earnings.

(C) Revenue Recognition Revenue on the sale of goods is recorded at the time the sale is made to the customer, being when the significant risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, and the amount of revenue can be measured reliably. Sales are presented net of tax, returns and discounts and are measured at the fair value of the consideration received or receivable from the customer for the products sold or services supplied. Service charges on customer account receivables are accrued each month on balances outstanding at each account's billing date.

(D) Inventories Inventories are valued at the lower of cost and net realizable value. The cost of warehouse inventories is determined using the weighted-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 on a first-in, first-out basis. Cost includes the cost to purchase goods net of vendor allowances plus other costs incurred in bringing inventories to their present location and condition. Net realizable value is estimated based on the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices due to seasonality.

Inventories are written down to net realizable value if net realizable value declines below carrying amount. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed.

(E) Vendor Rebates Consideration received from vendors related to the purchase of merchandise is recorded on an accrual basis as a reduction in the cost of the vendor's products and reflected as a reduction of cost of sales and related inventory.

(F) Property and Equipment Property and equipment are stated at cost less accumulated amortization and any impairment losses. Cost includes any directly attributable costs, borrowing costs on qualifying construction projects, and the costs of dismantling and removing the items and restoring the site on which they are located. When major components of an item of property and equipment have different useful lives, they are accounted for as separate items. Amortization is calculated using the straight-line method to allocate the cost of assets less their residual values over their estimated useful lives as follows:

Buildings	3% – 8%
Leasehold improvements	5% – 20%
Fixtures and equipment	8% – 33%
Computer equipment	12% – 33%

Amortization methods, useful lives and residual values are reviewed at each reporting date. Assets under construction and land are not amortized.

(G) Impairment

Impairment of non-financial assets Tangible assets and definite life intangible assets are reviewed at each balance sheet date to determine whether events or conditions indicate that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For tangible and intangible assets excluding goodwill, the CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Goodwill and indefinite life intangible assets are not amortized but are subject to an impairment test annually and whenever indicators of impairment are detected. Goodwill is allocated to CGU's that are expected to benefit from the synergies of the related business combination and represents the lowest level within the Company at which goodwill is monitored for internal management purposes, which is the Company's International operating segment before aggregation.

Impairment charges Any impairment charge is recognized in the consolidated statement of earnings in the period in which it occurs, to the extent that the carrying value exceeds its recoverable amount. Where an impairment loss other than an impairment loss on goodwill subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. Impairment charges on goodwill are not reversed.

Impairment of financial assets Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset

is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at their original effective interest rate.

All impairment losses are recognized in the consolidated statement of earnings. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(H) Leases Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are accounted for as operating leases. Assets leased under operating leases are not recorded on the consolidated balance sheets. Rental payments are recorded in selling, operating and administrative expenses in the consolidated statement of earnings. Lease incentives received are recognized as part of the total lease expense, over the term of the lease.

Leases in which the Company has substantially all of the risks and rewards of ownership are accounted for as finance leases. At commencement, finance leases are capitalized at the lower of the fair value of the leased property and the present value of minimum lease payments, and are recorded in property and equipment on the consolidated balance sheets. Finance lease liabilities are recorded in long-term debt and are reduced by the amount of the lease payment net of imputed interest (finance charges).

(I) Borrowing Costs Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of the respective asset until it is ready for its intended use. Qualifying assets are those assets that necessarily take a substantial period of time to prepare for their intended use. Borrowing costs are capitalized based on the Company's weighted-average cost of borrowing. All other borrowing costs are expensed as incurred.

(J) Goodwill Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. Goodwill is not amortized but is subject to an impairment test annually and whenever indicators of impairment are detected. Goodwill is carried at cost less accumulated impairment losses.

(K) Intangible Assets Intangible assets with definite lives are carried at cost less accumulated amortization and any impairment loss. Amortization is recorded on a straight-line basis over the term of the estimated useful life of the asset as follows:

Software	3 to 7 years
Non-compete agreements	3 to 5 years

Intangible assets with indefinite lives comprise the Cost-U-Less banner. These are not amortized but instead are tested for impairment annually or more frequently if indicators of impairment are identified.

(L) Share-based Payment Transactions

Equity settled plans The Share Option Plan prior to June 14, 2011 and Unit Purchase Loan Plan are equity settled share-based payment plans. The fair values of these plans are determined using option pricing models. The grant date fair values of these benefits are recognized as an employee expense over the vesting period, with corresponding increases in equity.

Cash settled plans The Share Option Plan commencing June 14, 2011, Restricted Share Units, Performance Share Units, Employee Share Purchase Plan and Deferred Share Unit Plan are cash settled share-based payments. These plans are measured at fair value at each balance sheet date and a charge or recovery recognized through the consolidated statement of earnings over the vesting period. A corresponding adjustment is reflected in accounts payable and accrued liabilities or other long-term liabilities.

The value of the charges under both cash settled and equity settled plans are adjusted in the consolidated statement of earnings to reflect expected and actual levels of benefits vesting.

(M) Foreign Currency Translation The accounts of foreign operations have been translated into the presentation currency, Canadian dollars. Assets and liabilities are translated at the period-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 foreign operations and the portion of the U.S. denominated borrowings designated as a hedge against this investment are recorded in equity as other comprehensive income. Foreign exchange gains or losses recorded in accumulated other comprehensive income (AOCI) are recognized in net earnings when there is a reduction in the net investment in foreign operations.

Items included in the financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (functional currency). Transactions in foreign currencies are translated to the respective functional currencies at exchange rates approximating the rates in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date.

(N) Income Taxes Income tax expense includes taxes payable on current earnings and changes in deferred tax balances. Current income tax expense is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

The Company accounts for deferred income taxes using the liability method of tax allocation. Under the liability method, deferred income tax assets and liabilities are determined based on the temporary differences between the financial statement carrying values 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 deferred income tax assets or liabilities are expected to be realized or settled. A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset the amounts.

Income tax expense is recognized in the consolidated statement of earnings, except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case the related income tax expense is also recognized in other comprehensive income or in equity respectively.

- (O) Employee Benefits** The Company maintains a number of pension plans, including either a defined benefit or defined contribution pension plan for the majority of its Canadian employees, and an employee savings plan for its U.S. employees. Other benefits include employee bonuses, employee share purchase plans and termination benefits.

Defined Benefit Pension Plan The actuarial determination of the defined benefit obligations for pension benefits uses the projected unit credit method prorated on services which incorporates management's best estimate of the discount rate, expected plan investment performance, salary escalation, retirement rates, termination rates and retirement ages of employees. The discount rate used to value the defined benefit obligation is derived from a portfolio of Corporate AA bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations. Bonds included in the curve are denominated in the currency in which the benefits will be paid that have terms to maturity approximating the terms of the related pension liability. When calculating expected returns on plan assets, assets are valued at fair market value.

The amount recognized in the consolidated balance sheet at each reporting date represents the present value of the defined benefit obligation, adjusted for unvested past service costs and reduced by the fair value of plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded.

The Company's funding policy is in compliance with statutory regulations and amounts funded are deductible for income tax purposes.

The actuarially determined expense is recognized annually in the consolidated statement of earnings. All actuarial gains and losses arising from defined benefit plans are recognized in full in the period in which they arise in the consolidated statement of other comprehensive income, and the recognized actuarial gains and losses are presented in retained earnings. The effect of the asset ceiling is also recognized in other comprehensive income. Interest costs on the defined benefit obligation and the expected return on employee benefit plan assets are charged to the consolidated statement of earnings as interest expense.

Defined Contribution Pension Plans The Company sponsors defined contribution pension plans for eligible employees where fixed contributions are paid into a registered plan. There is no obligation for the Company to pay any additional amount into these plans. Contributions to the defined contribution pension plans are expensed as incurred.

Short-term Benefits A liability is recognized for the amount expected to be paid under short-term incentive plans or employee share purchase plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination Benefits Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the effect is significant, benefits are discounted to present value.

- (P) Provisions** A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
- (Q) Financial Instruments** Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows and benefits related from the financial asset expire, or the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. On initial recognition, all financial instruments are classified into one of the following categories: fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments, available-for-sale, or other financial liabilities.

Financial instruments have been classified as follows:

- Cash is designated as loans and receivables
- Accounts receivable and financial assets included in other assets are classified as loans and receivables
- Long-term debt, accounts payable and accrued liabilities, and certain other liabilities are classified as other financial liabilities

Financial instruments are initially recognized at fair value plus transaction costs; subsequent measurement and recognition of changes in value depends on their initial classification. Financial instruments classified as FVTPL are subsequently measured at fair value, with changes in fair value recorded in net earnings. Loans and receivables are subsequently carried at amortized cost less impairment losses. Interest revenue, consisting primarily of service charge income on customer accounts receivable, is included in sales in the consolidated statement of earnings. Other financial liabilities are subsequently held at amortized cost. Interest expense relating to long-term debt is recorded using the effective interest rate method and included in the consolidated statement of earnings in interest expense.

The Company is exposed to financial risks associated with movements in interest rates and exchange rates. The Company may use derivative financial instruments to hedge these exposures. Qualifying hedge relationships are classified as either fair value hedges, cash flow hedges or as a hedge of a net investment in foreign operations. Fair value hedges are those where the derivative financial instrument hedges a change in the fair value of the financial asset or liability due to movements in interest rates. The Company does not have any cash flow hedges. Net investment hedges use financial liabilities to counterbalance gains and losses arising on the retranslation of foreign operations.

To qualify for hedge accounting, the Company documents its risk management strategy, the relationship between the hedging instrument and the hedged item or transaction and the nature of the risks being hedged. The Company also documents the assessment of the effectiveness of the hedging relationship, to show that the hedge has been and will likely be highly effective on an ongoing basis.

To the extent that a fair value hedging relationship is effective, a gain or loss arising from the hedged item adjusts its carrying value and is reflected in earnings, offset by a change in fair value of the underlying derivative. Any changes in fair value of derivatives that do not qualify for hedge accounting are reported in earnings. Changes in fair value relating to the interest rate swaps are included in interest expense.

The Company has designated a portion of the U.S. denominated debt as a hedge of its net investment in U.S. operations. To the extent that the hedging relationship is effective, the foreign exchange gains and losses arising from translation of this debt are included in other

comprehensive income. These gains and losses are subsequently recognized in earnings when the hedged item affects earnings.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in other comprehensive income is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is transferred to the income statement for the period.

Embedded derivatives are components of hybrid instruments that include non-derivative host contracts. These are separated from their host contracts and recorded on the consolidated balance sheets at fair value when certain conditions are met. Changes in the fair value of embedded derivatives are recognized in earnings.

- (R) Cash** Cash comprises cash on hand and balances with banks.
- (S) Net Earnings Per Share** Basic net earnings per share are calculated by dividing the net earnings by the weighted-average number of common shares outstanding during the period. The units that were pledged as security for the loans issued under the previous Unit Purchase Loan Plan are deducted from the issued and outstanding shares of the Company to determine basic shares outstanding. Diluted net earnings per share is determined by adjusting net earnings and the weighted-average number of common shares outstanding for the effects of all potentially dilutive shares, which comprise shares issued under the Share Option Plan, Deferred Share Unit Plan and former Unit Purchase Loan Plan (Note 13).
- (T) Use of Estimates** The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements and notes.

These estimates and assumptions are based on management's historical experience, best knowledge of current events, conditions and actions that the Company may undertake in the future and other factors that management believes are reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Certain of these estimates require subjective or complex judgments by management about matters that are uncertain and changes in these estimates could materially impact the consolidated financial statements and notes. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have the most significant effect on the amounts recognized in the consolidated financial statements include:

- Impairment of assets (Note 7)
- Goodwill and indefinite life intangible asset impairment (Note 8)
- Income taxes (Note 9)
- Defined benefit plan obligations (Note 12)

(U) Future Standards and Amendments A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2012, and have not been applied in preparing these consolidated financial statements. Unless otherwise noted, the following revised standards and amendments are effective for the Company's annual periods beginning February 1, 2013. The Company is currently assessing the impact of the following standards that may apply in future periods:

Financial Instruments: Disclosures The IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures* to expand the disclosure requirements for transfers of financial assets. The Company will apply the amendment for its financial year beginning February 1, 2012 and does not expect its implementation to have a significant impact on its disclosures.

Consolidated Financial Statements The IASB issued IFRS 10, *Consolidated Financial Statements* replacing portions of IAS 27, *Consolidated and Separate Financial Statements* addressing consolidation and superseding Standing Interpretations Committee (SIC) Interpretation 12 in its entirety. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

Joint Arrangements The IASB issued IFRS 11, *Joint Arrangements* superseding IAS 31, *Interest in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non Monetary Contributions by Venturers*. IFRS 11 establishes principles for determining the type of joint arrangement by assessing the venturer's rights and obligations. This standard provides guidance for financial reporting activities required by entities that have an interest in a jointly controlled arrangement. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation the venturer will recognize its share of the venture's assets, liabilities, revenues and expenses.

Disclosure of Interests in Other Entities The IASB issued IFRS 12, *Disclosure of Interests in Other Entities* requiring extensive disclosures relating to a company's interest in subsidiaries, associates and certain other arrangements. IFRS 12 enables financial statement users to evaluate the nature and risks associated with these interests, and evaluate their effect on the Company's financial performance.

Employee benefits The IASB has revised IAS 19, *Employee Benefits* to eliminate the option to defer the recognition of actuarial gains and losses, enhance the guidance around measurement of plan assets and benefit obligations, and streamline the presentation of changes in assets and

liabilities arising from defined benefit plans including enhanced disclosure requirements.

Income Taxes The IASB has issued an amendment to IAS 12, *Income Taxes* introducing an exception to the general measurement requirements of IAS 12 for investment properties measured at fair value. The Company does not expect this change to have a significant effect on its consolidated financial statements.

Financial Instruments The IASB has issued a new standard which will eventually replace IAS 39, *Financial Instruments: Recognition and Measurement*. The development of IFRS 9, *Financial Instruments* is a multi-phase project with a goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset based on how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with only two categories: amortized cost and fair value through profit or loss. This standard is effective for the Company's financial year beginning February 1, 2015.

Presentation of Financial Statements The IASB has amended IAS 1, *Presentation of Financial Statements* to enhance the presentation of Other Comprehensive Income (OCI). These amendments require the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity.

Fair Value Measurement IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Financial Instruments The IASB has issued amendments to IFRS 7, *Financial Instruments: Disclosures* and IAS 32, *Financial Instruments, Presentation* which clarify the requirements for offsetting financial assets and financial liabilities along with new disclosure requirements for financial assets and liabilities that are offset. These amendments are effective for the Company's financial years beginning February 1, 2014 and February 1, 2013 respectively.

4. SEGMENTED INFORMATION

The Company is a retailer of food and everyday products and services in two geographical segments, Canada and International. The International segment consists of wholly owned subsidiaries operating in the continental United States, Caribbean and South Pacific. Financial information for these business segments is regularly reviewed by the Company's President and Chief Executive Officer to assess performance and make decisions about the allocation of resources.

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

Year Ended	January 31, 2012	January 31, 2011
Sales		
Canada	\$ 1,028,396	\$ 978,662
International	466,740	469,442
Consolidated	\$ 1,495,136	\$ 1,448,104
Earnings before amortization, interest and income taxes		
Canada	\$ 97,998	\$ 98,781
International	27,883	26,983
Consolidated	\$ 125,881	\$ 125,764
Earnings from operations		
Canada	\$ 69,253	\$ 71,270
International	20,056	19,002
Consolidated	\$ 89,309	\$ 90,272

	January 31, 2012	January 31, 2011	February 1, 2010
Assets			
Canada	\$ 443,956	\$ 435,775	\$ 441,984
International	182,961	180,813	186,536
Consolidated	\$ 626,917	\$ 616,588	\$ 628,520

International total assets includes goodwill of \$26,319 (January 31, 2011 - \$26,241; February 1, 2010 - \$28,593).

Supplemental information

Year Ended	January 31, 2012		January 31, 2011	
	Canada	International	Canada	International
Expenditure on property and equipment	\$ 33,952	\$ 11,613	\$ 27,392	\$ 7,833
Amortization	\$ 28,745	\$ 7,827	\$ 27,511	\$ 7,981

5. ACCOUNTS RECEIVABLE

	January 31, 2012	January 31, 2011
Current:		
Trade accounts receivable	\$ 76,349	\$ 73,720
Corporate and other accounts receivable	13,796	9,798
Less: allowance for doubtful accounts	(13,606)	(13,338)
	\$ 76,539	\$ 70,180
Non-current:		
Long-term receivable (Note 10)	\$ 2,507	\$ 2,724
	\$ 79,046	\$ 72,904

The carrying values of current accounts receivable are a reasonable approximation of their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above (Note 14).

Movements in the allowance for doubtful accounts for customer and commercial accounts receivables are as follows:

	January 31, 2012	January 31, 2011
Current:		
Balance, beginning of year	\$ (13,338)	\$ (12,143)
Net charge	(7,748)	(8,080)
Written off	7,480	6,885
Balance, end of year	\$ (13,606)	\$ (13,338)

6. INVENTORIES

Included in inventories recognized as an expense for the year ended January 31, 2012, the Company recorded \$1,851 (January 31, 2011 - \$1,501) for the write-down of inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the year ended January 31, 2012 or 2011.

7. PROPERTY AND EQUIPMENT

January 31, 2012	Land	Buildings	Leasehold improvements	Fixtures & equipment	Computer equipment	Construction in process	Total
Cost at February 1, 2011	\$ 12,182	\$ 291,234	\$ 37,496	\$ 203,236	\$ 55,302	\$ 7,801	\$ 607,251
Additions	8	13,890	4,682	10,991	6,639	9,355	45,565
Disposals	(24)	(4,009)	(388)	(2,853)	(311)	-	(7,585)
Effect of movements in foreign exchange	13	239	41	175	37	6	511
Total January 31, 2012	\$ 12,179	\$ 301,354	\$ 41,831	\$ 211,549	\$ 61,667	\$ 17,162	\$ 645,742
Accumulated amortization at February 1, 2011	\$ -	\$ 146,959	\$ 17,766	\$ 135,225	\$ 47,718	\$ -	\$ 347,668
Amortization expense	-	13,795	2,911	12,120	4,398	-	33,224
Disposals	-	(2,856)	(354)	(2,423)	(187)	-	(5,820)
Effect of movements in foreign exchange	-	119	25	132	24	-	300
Total January 31, 2012	\$ -	\$ 158,017	\$ 20,348	\$ 145,054	\$ 51,953	\$ -	\$ 375,372
Net book value January 31, 2012	\$ 12,179	\$ 143,337	\$ 21,483	\$ 66,495	\$ 9,714	\$ 17,162	\$ 270,370

January 31, 2011	Land	Buildings	Leasehold improvements	Fixtures & equipment	Computer equipment	Construction in process	Total
Cost at February 1, 2010	\$ 12,759	\$ 281,590	\$ 34,769	\$ 193,833	\$ 51,878	\$ 8,214	\$ 583,043
Additions	-	14,952	3,699	12,842	4,084	(352)	35,225
Disposals	(287)	(1,093)	(224)	(398)	(251)	-	(2,253)
Effect of movements in foreign exchange	(290)	(4,215)	(748)	(3,041)	(409)	(61)	(8,764)
Total January 31, 2011	\$ 12,182	\$ 291,234	\$ 37,496	\$ 203,236	\$ 55,302	\$ 7,801	\$ 607,251
Accumulated amortization at February 1, 2010	\$ -	\$ 136,034	\$ 15,556	\$ 125,002	\$ 44,424	\$ -	\$ 321,016
Amortization expense	-	13,819	2,666	12,005	3,751	-	32,241
Disposals	-	(1,123)	(136)	(380)	(109)	-	(1,748)
Effect of movements in foreign exchange	-	(1,771)	(320)	(1,402)	(348)	-	(3,841)
Total January 31, 2011	\$ -	\$ 146,959	\$ 17,766	\$ 135,225	\$ 47,718	\$ -	\$ 347,668
Net book value January 31, 2011	\$ 12,182	\$ 144,275	\$ 19,730	\$ 68,011	\$ 7,584	\$ 7,801	\$ 259,583
Net book value February 1, 2010	\$ 12,759	\$ 145,556	\$ 19,213	\$ 68,831	\$ 7,454	\$ 8,214	\$ 262,027

The Company reviewed its property and equipment for indicators of impairment. No assets were identified as impaired.

Interest capitalized

Interest attributable to the construction of qualifying assets was capitalized using an average rate of 3.21% and 3.76% for the years ended January 31, 2012 and 2011 respectively. Interest capitalized included in additions amounted to \$161 (January 31, 2011 - \$30). Accumulated interest capitalized included in the cost total above amounted to \$191 (January 31, 2011 - \$30).

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill

	January 31, 2012	January 2011
Cost at beginning of year	\$ 26,241	\$ 28,593
Effect of movements in foreign exchange	78	(2,352)
Balance at end of year	\$ 26,319	\$ 26,241

Goodwill Impairment Testing

The goodwill asset balance relates to the Company's acquired subsidiary, Cost-U-Less, and is allocated to the International Operations operating segment. The value of the goodwill was tested by means of comparing the recoverable amount of the operating segment to its carrying value. To calculate the

operating segment's recoverable amount, the Company uses the capitalized earnings method. The product of maintainable earnings and a capitalization rate are used to determine the recoverable amount. The capitalization rate is based on the International Operations weighted-average cost of capital. Key assumptions in the capitalization rate include: equity risk premium, debt-to-equity ratio, pre-tax cost of debt capital and company specific risk premium. Cash flow forecasts for the following financial year are used to calculate maintainable earnings, to which a terminal growth rate of 2% has been applied. The capitalization rate implies a post-tax discount rate of 11.1% (January 31, 2011 - 11.5%), which equates to a pre-tax rate of approximately 14.9% (January 31, 2011 - 16.0%).

Intangible assets

January 31, 2012	Software	Cost-U-Less banner	Non-compete agreements	Total
Cost at January 31, 2011	\$ 15,057	\$ 7,015	\$ 8,114	\$ 30,186
Additions	802	–	–	802
Effect of movements in foreign exchange	–	21	9	30
Total at January 31, 2012	\$ 15,859	\$ 7,036	\$ 8,123	\$ 31,018
Accumulated amortization & impairment losses at January 31, 2011	\$ 10,186	\$ –	\$ 2,853	\$ 13,039
Amortization expense	1,810	–	1,538	3,348
Effect of movements in foreign exchange	–	–	11	11
Total at January 31, 2012	\$ 11,996	\$ –	\$ 4,402	\$ 16,398
Net book value at January 31, 2012	\$ 3,863	\$ 7,036	\$ 3,721	\$ 14,620

Intangible assets

January 31, 2011	Software	Cost-U-Less banner	Non-compete agreements	Total
Cost at January 31, 2010	\$ 14,627	\$ 7,455	\$ 6,153	\$ 28,235
Additions	430	–	2,159	2,589
Effect of movements in foreign exchange	–	(440)	(198)	(638)
Total at January 31, 2011	\$ 15,057	\$ 7,015	\$ 8,114	\$ 30,186
Accumulated amortization & impairment losses at January 31, 2010	\$ 8,265	\$ –	\$ 1,638	\$ 9,903
Amortization expense	1,921	–	1,330	3,251
Effect of movements in foreign exchange	–	–	(115)	(115)
Total at January 31, 2011	\$ 10,186	\$ –	\$ 2,853	\$ 13,039
Net book value at January 31, 2011	\$ 4,871	\$ 7,015	\$ 5,261	\$ 17,147
Net book value at February 1, 2010	\$ 6,362	\$ 7,455	\$ 4,515	\$ 18,332

Intangible Asset Impairment Testing

The Company determines the fair value of the Cost-U-Less banner using the Relief from Royalty approach. This method requires management to make long-term assumptions about future sales, terminal growth rates, royalty rates and discount rates. Sales forecasts for the following financial year together with medium and terminal growth rates ranging from 2% to 5% are used to estimate future sales, to which a royalty rate of 0.5% is applied. The present value of this royalty stream is compared to the carrying value of the asset.

No impairment has been identified on goodwill and intangible assets.

9. INCOME TAXES

On January 1, 2011, the North West Company Fund (the “Fund”) converted from an income trust to a publicly traded share corporation pursuant to the Arrangement (Note 1). Prior to the conversion to a share corporation, a substantial portion of the earnings from The North West Company LP flowed to the Fund and was ultimately distributed to unitholders. There was no current income tax payable by the Fund on these distributions. Upon conversion to a share corporation, the earnings of The North West Company LP are taxed in the Company based on the statutory corporate income tax rates.

Year Ended	January 31, 2012	January 31, 2011
Current tax expense:		
Current tax on earnings for the year	\$ 8,969	\$ 5,859
Withholding taxes	1,443	–
(Over) under provision in prior years	(21)	599
	\$ 10,391	\$ 6,458
Deferred tax expense:		
Origination and reversal of temporary differences	\$ 16,122	\$ 971
Impact of change in tax rates	(978)	7,298
(Over) under provision in prior years	(213)	(188)
	\$ 14,931	\$ 8,081
Provision for income taxes	\$ 25,322	\$ 14,539

Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to earnings before taxes for the following reasons:

Year Ended	January 31, 2012	January 31, 2011
Net earnings before income taxes	\$ 83,283	\$ 84,195
Combined statutory income tax rate	30.3%	31.8%
Expected income tax expense	\$ 25,235	\$ 26,774
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses/non-taxable income	\$ (136)	\$ 1,642
Net earnings of the Fund subject to tax in the hands of unitholders	-	(21,289)
Withholding taxes	1,443	-
Impact of change in tax rates	(978)	7,298
(Over) under provision in prior years	(234)	411
Other	(8)	(297)
Provision for income taxes	\$ 25,322	\$ 14,539
Effective income tax rate	30.4%	17.3%

The decrease in the combined statutory income tax rate is due to a reduction in Canadian substantively enacted tax rates and a change in the foreign subsidiaries' earnings.

Deferred income tax charged (credited) to other comprehensive income during the year is as follows:

Year Ended	January 31, 2012	January 31, 2011
Net investment hedge:		
Origination and reversal of temporary difference	\$ (30)	\$ -
Impact of change in tax rates	2	-
	\$ (28)	\$ -
Defined benefit plan actuarial loss:		
Origination and reversal of temporary difference	\$ (5,540)	\$ 654
Impact of change in tax rates	(1)	1,813
	(5,541)	2,467
	\$ (5,569)	\$ 2,467

Income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

January 31, 2012	February 1, 2011	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Foreign exchange differences recognized in OCI	January 31, 2012
Deferred tax assets:					
Goodwill & intangible assets	\$ 402	\$ 60	\$ -	\$ 5	\$ 467
Property & equipment	6,489	1,599	-	1	8,089
Inventory	1,092	429	-	(14)	1,507
Share-based compensation and long-term incentive plans	1,551	144	-	(2)	1,693
Defined benefit plan obligation	2,401	(576)	5,541	-	7,366
Provisions	4,162	(330)	-	(76)	3,756
Other assets	810	88	-	-	898
	\$ 16,907	\$ 1,414	\$ 5,541	\$ (86)	\$ 23,776
Deferred tax liabilities:					
Net investment hedge	\$ (1,207)	\$ -	\$ 28	\$ -	\$ (1,179)
Investment in jointly controlled entity	(968)	(118)	-	-	(1,086)
Deferred limited partnership earnings	-	(16,260)	-	-	(16,260)
Other liabilities	(302)	33	-	-	(269)
	\$ (2,477)	\$ (16,345)	\$ 28	\$ -	\$ (18,794)
	\$ 14,430	\$ (14,931)	\$ 5,569	\$ (86)	\$ 4,982
Recorded on the consolidated balance sheet as follows:					
Deferred tax assets					\$ 7,422
Deferred tax liabilities					(2,440)
					\$ 4,982

January 31, 2011	February 1, 2010	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Foreign exchange differences recognized in OCI	January 31, 2011
Deferred tax assets:					
Goodwill & intangible assets	\$ 263	\$ 118	\$ -	\$ 21	\$ 402
Property & equipment	12,019	(5,492)	-	(38)	6,489
Inventory	1,185	(58)	-	(35)	1,092
Share-based compensation and long-term incentive plans	3,024	(1,458)	-	(15)	1,551
Defined benefit plan obligation	5,007	(139)	(2,467)	-	2,401
Provisions	4,595	(254)	-	(179)	4,162
Other assets	337	475	-	(2)	810
	\$ 26,430	\$ (6,808)	\$ (2,467)	\$ (248)	\$ 16,907
Deferred tax liabilities:					
Net investment hedge	\$ (621)	\$ (586)	\$ -	\$ -	\$ (1,207)
Investment in jointly controlled entity	(583)	(385)	-	-	(968)
Other liabilities	-	(302)	-	-	(302)
	\$ (1,204)	\$ (1,273)	\$ -	\$ -	\$ (2,477)
	\$ 25,226	\$ (8,081)	\$ (2,467)	\$ (248)	\$ 14,430
Recorded on the consolidated balance sheet as follows:					
Deferred tax assets					\$ 17,017
Deferred tax liabilities					(2,587)
					\$ 14,430

In assessing the recovery of deferred income tax assets, management considers whether it is probable that the deferred income tax assets will be realized. The recognition and measurement of the current and deferred tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations and in the assessment of the recoverability of deferred tax assets. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences are deductible.

Actual income taxes could vary from these estimates as a result of future events, including changes in income tax laws or the outcome of tax reviews by tax authorities and related appeals. To the extent the final outcome is different from the amounts initially recorded, such differences, which could be significant, will impact the tax provision in the period in which the outcome is determined.

No deferred tax has been recognized in respect of temporary differences associated with investment in subsidiaries where the Company is in a position to control the timing and reversal of the differences and it is probable that such differences will not reverse in the foreseeable future. The temporary differences associated with the Company's foreign subsidiaries are approximately \$41,000 at January 31, 2012 (January 31, 2011 - \$51,000).

10. OTHER ASSETS

	January 31, 2012	January 31, 2011	February 1, 2010
Investment in jointly controlled entity (Note 23)	\$ 8,156	\$ 7,359	\$ 6,611
Long-term receivable (Note 5)	2,507	2,724	2,908
Other	1,687	1,728	1,594
	\$ 12,350	\$ 11,811	\$ 11,113

11. LONG-TERM DEBT

	January 31, 2012	January 31, 2011	February 1, 2010
Current:			
Bank advances ⁽¹⁾	\$ -	\$ -	\$ 312
Revolving loan facilities ⁽²⁾	-	67,445	-
Notes payable ⁽³⁾	268	388	412
Finance lease liabilities	361	424	547
Revolving loan facilities ⁽⁵⁾	-	-	55,380
	\$ 629	\$ 68,257	\$ 56,651
Non-current:			
Senior notes ⁽⁴⁾	\$ 69,626	\$ 69,199	\$ 73,481
Revolving loan facilities ⁽²⁾	68,850	-	72,853
Revolving loan facilities ⁽⁵⁾	36,187	50,110	-
Notes payable ⁽³⁾	391	4,462	5,155
Finance lease liabilities	209	568	1,030
	\$ 175,263	\$ 124,339	\$ 152,519
Total	\$ 175,892	\$ 192,596	\$ 209,170

(1) In January 2011, the Company refinanced the US\$15,000 demand, revolving loan facility in its International Operations. The new committed, revolving loan facility of US\$20,000 matures on October 31, 2012. This facility bears a floating rate of interest and is secured by a charge against certain accounts receivable and inventories of the International Operations. At January 31, 2012, the International Operations had drawn US\$NIL (January 31, 2011 - US\$NIL; February 1, 2010 - US\$293) on the facility.

(2) In December 2011, the Company completed the refinancing of the Canadian Operations extendible, committed, revolving loan facilities of \$140,000 that matured on December 31, 2011. The new committed, extendible, revolving loan facilities provide the Company with a \$170,000 revolving loan facility for working capital requirements and general business purposes. This facility, which matures on December 31, 2015 is secured by a floating charge against the assets of the Company and rank *pari passu* with the US\$70,000 senior notes and the US\$52,000 loan facilities in International Operations. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(3) Notes payable in the amount of US\$655 bear interest at a rate of U.S. prime plus 1% and have annual principal payments of US\$267. Notes payable in the amount of US\$3,873 bearing interest at 5.75% were repaid in April 2011.

(4) The US\$70,000 senior notes mature on June 15, 2014 and bear interest at a rate of 6.55%, payable semi-annually. The notes are secured by a floating charge against the assets of the Company and rank *pari passu* with the \$170,000 Canadian Operations loan facilities and the US\$52,000 loan facilities in International Operations. The Company has entered into interest rate swaps resulting in floating interest costs on US\$28,000 of its senior notes (January 31, 2011 - US\$28,000). The interest rate swaps mature June 15, 2014.

(5) The US\$52,000 committed, revolving loan facilities mature December 31, 2013 and bear interest at LIBOR plus a spread. The loan facilities are secured by a floating first charge against the assets of the Company and rank *pari passu* with the US\$70,000 senior notes and the \$170,000 Canadian Operations loan facilities. At January 31, 2012, the Company had drawn US\$36,000 (January 31, 2011 - US\$50,000; February 1, 2010 - US\$52,000) on this facility.

12. POST-EMPLOYMENT BENEFITS

The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan, which incorporated legislated changes, administrative practice, and added a defined contribution provision (the "Amended Plan"). Under the Amended Plan, all members as of December 31, 2011 who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. The defined benefit pension previously earned by members transitioned to the defined contribution plan, will continue to accrue in accordance with the terms of the plan based on the member's current pensionable earnings. Members who met the qualifying threshold on January 1, 2011, elected between accruing a defined contribution benefit and continuing to accrue a defined benefit pension in accordance with the provisions of the Amended Plan.

The defined benefit pension plans are based on years of service and final average salary. The Company uses actuarial reports prepared by independent actuaries for funding and accounting purposes as at January 31, 2012 and January 31, 2011. The accrued pension benefits and the market value of the plans' net assets were last determined by actuarial valuation as at January 1, 2012. The next actuarial valuation is required as at January 1, 2013. The Company also sponsors an employee savings plan covering all U.S. employees with at least six months of service. Under the terms of the plan, the Company is obligated to make a 50% matching contribution up to 6% of eligible compensation.

During the year ended January 31, 2012, the Company contributed \$4,340 to its defined benefit pension plans (January 31, 2011 - \$4,817). Effective January 1, 2011, the Company implemented a defined contribution pension plan. During the year ended January 31, 2012, the Company contributed \$1,803 to its defined contribution pension plans (January 31, 2011 - \$125). The current best estimate of the Company's funding obligation

for the defined benefit pension plans for the year commencing February 1, 2012 is \$6,000. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

The following significant actuarial assumptions were employed to measure the plan:

Year Ended	January 31, 2012	January 31, 2011
Discount rate on plan liabilities	4.5%	5.8%
Rate of compensation increase	4.0%	4.0%
Discount rate on plan expense	5.8%	6.0%
Inflation assumption	2.0%	2.25%
Expected return on plan assets	6.5%	6.5%

The average life expectancy in years of a member who reaches normal retirement age of 65 is as follows:

	January 31, 2012	January 31, 2011
Average life expectancies at age 65 for current pensioners:		
Male	19.7	19.4
Female	22.1	21.8
Average life expectancies at age 65 for current members aged 45:		
Male	19.8	18.0
Female	21.8	20.7

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions have been based on the 1994 United Pensioners Mortality Table with projections to 2015 using scale AA.

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

	January 31, 2012	January 31, 2011	February 1, 2010
Plan assets:			
Fair value, beginning of year	\$ 58,773	\$ 53,914	\$ 42,207
Expected return on plan assets	3,777	3,523	2,905
Benefits paid	(5,681)	(4,646)	(4,267)
Employer contributions	4,340	4,817	9,137
Employee contributions	20	26	24
Actuarial gains (losses), recognized in OCI	(3,336)	954	4,093
Change in asset ceiling restriction, recognized in OCI	-	185	(185)
Fair value, end of year	\$ 57,893	\$ 58,773	\$ 53,914
Plan obligations:			
Defined benefit obligation, beginning of year	\$ (67,773)	\$ (64,871)	\$ (49,163)
Current service costs	(2,192)	(4,051)	(2,960)
Employee contributions	(20)	(26)	(24)
Accrued interest on benefits	(3,734)	(3,753)	(3,292)
Benefits paid	5,681	4,646	4,267
Actuarial gains (losses), recognized in OCI	(17,471)	282	(13,699)
Defined benefit obligation, end of year	\$ (85,509)	\$ (67,773)	\$ (64,871)
Plan deficit	\$ (27,616)	\$ (9,000)	\$ (10,957)

The defined benefit obligation of all of the Company's defined benefit pension plans exceeds the fair value of plan assets as noted in the table.

The expected return on assets has been derived from the expected returns from each of the main asset classes. The expected return for each asset class reflects a combination of historical performance analysis and the forward-looking view of the financial markets. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions, which may not necessarily be borne out in practice.

Sensitivity of key assumptions

The following table outlines the key assumptions for 2011 and the sensitivity of a 1% change in each of the assumptions on the defined benefit plan obligations and cost for the defined benefit pension plans. The table reflects the impact on both the current service and interest cost expense components.

The sensitivity analysis provided in the key table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Defined benefit plan obligations	Benefit plan cost
Expected long-term rate of return on plan assets: 6.5%		
Impact of: 1% increase	\$ n/a	\$ (586)
1% decrease	n/a	586
Discount rate: 4.5%		
Impact of: 1% increase	(13,639)	(392)
1% decrease	17,839	398

The major categories of plan assets as a percentage of total plan assets are listed below. The pension plans have no investment in the shares of the Company.

	January 31, 2012	January 31, 2011	February 1, 2010
Plan assets:			
Equity securities	60%	60%	59%
Debt securities	36%	36%	37%
Other	4%	4%	4%
Total	100%	100%	100%

The following pension expenses have been charged to the consolidated statement of earnings:

	January 31, 2012	January 31, 2011
Employee costs (Note 17)		
Defined benefit pension plan, current service cost included in post-employment benefits	\$ 2,192	\$ 4,051
Defined contribution pension plan	1,803	125
Savings plan for U.S. employees	411	425
	\$ 4,406	\$ 4,601
Interest expense (Note 18)		
Expected return on pension plan assets	\$ (3,777)	\$ (3,523)
Interest on pension plan liabilities	3,734	3,753

The following amounts have been included in Other Comprehensive Income:

Year Ended	January 31, 2012	January 31, 2011
Current Year:		
Actuarial gains (losses)	\$ (3,336)	\$ 954
Actuarial gain/(loss) on plan obligation	(17,471)	282
Change in asset ceiling restriction, recognized in OCI	-	185
Taxation on cumulative actuarial movement in OCI	5,541	(2,467)
Net actuarial movement recognized in OCI	\$ (15,266)	\$ (1,046)
Cumulative gains/losses recognized in OCI:		
Cumulative gross actuarial movement in OCI	\$ (19,386)	\$ 1,421
Taxation on cumulative actuarial movement in OCI	3,074	(2,467)
Cumulative net actuarial movement recognized in OCI	\$ (16,312)	\$ (1,046)

The actual return on the plans assets is summarized as follows:

Year Ended	January 31, 2012	January 31, 2011
Expected return on plan assets	\$ 3,777	\$ 3,523
Actuarial movement recognized in OCI reflecting the difference between expected and actual return on assets	(3,336)	954
Actual return on plan assets	\$ 441	\$ 4,477

13. SHARE-BASED COMPENSATION

The Company offers the following share-based payment plans: Restricted Share Units (RSU's); Performance Share Units (PSU's); Share Options; Director Deferred Share Units (DSU's); and an Employee Share Purchase Plan. The Company discontinued its Unit Purchase Loan Plan effective January 31, 2011. The purpose of these plans is to directly align the interests of the participants and the shareholders of the Company by providing compensation that is dependent on the performance of the Company's common shares.

The total expense relating to share-based payment plans for the year ended January 31, 2012 was \$4,726 (January 31, 2011 - \$4,407). The carrying amount of the Company's share-based compensation arrangements including RSU, PSU, share option and DSU plans are recorded on the consolidated balance sheets as follows:

	January 31, 2012	January 31, 2011	February 1, 2010
Accounts payable and accrued liabilities	\$ 4,611	\$ 7,193	\$ 1,964
Other long-term liabilities	3,207	2,273	4,570
Contributed surplus	1,611	922	-
Total	\$ 9,429	\$ 10,388	\$ 6,534

Restricted Share Units and Performance Share Units

The Company has granted Restricted Share Units and Performance Share Units to officers and senior management. Each RSU entitles the participant to receive a cash payment equal to the market value of the number of notional shares granted at the end of the vesting period. The RSU account for each participant includes the value of dividends from the Company as if reinvested in additional RSU's. RSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Company's shares at the grant date and subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period.

Each PSU entitles the participant to receive a cash payment equal to the market value of the number of notional shares granted at the end of the vesting period based on the achievement of specific performance based criteria. The PSU account for each participant includes the value of dividends from the Company as if reinvested in additional PSU's. PSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Company's shares at the grant date and subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period factoring in the probability of the performance criteria being met during that period.

Compensation costs related to the RSU's and PSU's for the year ended January 31, 2012 are \$2,981 (January 31, 2011 - \$2,128).

Share Option Plan

The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Options are granted at fair market value based on the volume

weighted-average closing price of the Company's shares for the five trading days preceding the grant date. Effective June 14, 2011, the Share Option Plan was amended and restated. The amendments afford the Board of Directors the discretion to award options giving the holder the choice, upon exercise, to either deduct a portion of all dividends declared after the grant date from the options exercise price or to exercise the option at the strike price specified at the grant date. Each option is exercisable into one share of the Company at the price specified in the terms of the option, or the employee may elect to acquire shares or receive a cash payment based on the excess of the fair market value of the Company's shares over the exercise price. The fair value of the share-based compensation is recognized in net earnings over the vesting period.

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9% of the Company's issued and outstanding shares at January 31, 2012. Fair value of these options is determined using an option pricing model. Share options granted vest on a graduated basis over five years and are exercisable over a period of seven to ten years. The share option compensation cost recorded for the year ended January 31, 2012 is \$867 (January 31, 2011 - \$733).

The fair values for options issued during the years ended January 31 were calculated based on the following assumptions:

	2011	2010
Fair value of options granted	\$ 3.61 - 4.74	\$ 4.30
Exercise price	\$ 20.62	\$ 19.11
Dividend yield	4.53%	7.4%
Annual risk-free interest rate	2.67%	3.36%
Expected share price volatility	29.22%	30.72%

The assumptions used to measure options at the balance sheet dates were as follows:

	2011	2010
Weighted-average exercise price	\$ 20.39	\$ 17.10
Dividend yield	5.41%	6.87%
Annual risk-free interest rate	1.24%	3.12%
Expected share price volatility	27.69%	29.89%

The expected dividend yield is estimated based on the quarterly dividend rate and the closing share price on the date the options are granted. The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options. The risk-free interest rate is estimated based on the Government of Canada bond yield for a term to maturity equal to the expected life of the options.

The following continuity schedules reconcile the movement in outstanding options during the year:

	January 31, 2012		January 31, 2011	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding options, beginning of year	509,200	\$ 17.10	274,600	\$ 15.25
Granted ⁽¹⁾	371,998	20.39	242,800	19.12
Exercised	-	-	-	-
Forfeited or cancelled	(16,900)	16.92	(8,200)	15.25
Outstanding options, end of year	864,298	\$ 18.61	509,200	\$ 17.10
Exercisable at end of year	-	\$ -	-	\$ -

(1) 315,812 options issued during the period give the option holder the choice to either deduct a portion of all dividends declared after the grant date from the exercise price of the option, or to elect to exercise the option at the strike price specified at the grant date

Options Outstanding				Options Exercisable		
Grant year	Range of exercise prices	Number outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Options exercisable	Weighted-average exercise price
2009	\$ 15.25	259,000	7.4	\$ 15.25	NIL	N/A
2010	\$ 19.11-19.74	233,300	8.2	\$ 19.12	NIL	N/A
2011	\$ 19.74-20.62	371,998	6.5	\$ 20.39	NIL	N/A

Director Deferred Share Unit Plan

The Director Deferred Share Unit Plan is available for independent Directors. Participants are credited with deferred share units based on the portion of fees each participant elects to allocate to the DSU. Each deferred share unit entitles the holder to receive a share of the Company. The deferred share units are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after

the holder ceases to be a Director. A participant may elect at the time of exercise of any deferred share units, subject to the consent of the Company, to have the Company pay an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date, in consideration for the surrender by the participant to the Company the right to receive shares from exercising the deferred share units.

Compensation expense is measured based on the fair market value at each reporting date. The deferred share unit plan compensation recorded for the year ended January 31, 2012 is an expense of \$288 (January 31, 2011 –\$954). The total number of deferred share units outstanding at January 31, 2012 is 118,262 (January 31, 2011 – 132,924). There were 37,236 deferred share units exercised during the year ended January 31, 2012 (January 31, 2011 – NIL). These deferred share units were settled in cash.

Employee Share Purchase Plan

The Employee Share Purchase Plan provides participants with the opportunity to acquire an ownership interest in the Company. The Company contributes an additional 33% of the amount invested, subject to a maximum annual contribution of 2% of the participants' base salary. The plan is administered by a trustee who uses the funds received to purchase shares on the TSX on behalf of the participating employees. These shares are registered in the name of the plan trustee on behalf of the participants. The Company's contribution to the plan is recorded as compensation expense. The employee share purchase plan compensation recorded for the year ended January 31, 2012 is \$590 (January 31, 2011 – \$555).

Unit Purchase Loan Plan

The Company had a Unit Purchase Loan Plan (UPLP) for officers and senior management whereby loans were granted to employees to purchase units of NWF. These loans were in substance similar to stock options and accordingly were accounted for as share-based compensation whereby compensation cost was recorded as an expense with a corresponding increase in contributed surplus.

As at January 31, 2011, this plan was discontinued and outstanding loans of \$6,428 were repaid during the year. The compensation cost relating to the UPLP for the period ended January 31, 2011 was \$NIL.

14. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks including liquidity risk, credit risk and market risk. The Company's overall risk management program focuses on minimizing potential adverse effects on financial performance.

The Company manages funding and financial risk management with oversight provided by the Board of Directors, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company's operational cash flow is reasonably stable and predictable. This reflects the business risk profile of the majority of markets in which the Company operates and its product mix. Cash flow forecasts are produced regularly and reviewed against the Company's debt portfolio capacity and maturity profile to assist management in identifying future liquidity requirements. The Company's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the business requirements.

The Company is financed by a combination of cash flow from operating activities, bank advances, senior notes and committed revolving loan facilities. At January 31, 2012, the Company had undrawn committed revolving loan facilities available of \$126,445 (January 31, 2011 - \$94,603) which expire in 2012, 2013 and 2015 (see Note 11).

The following table analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows or an estimation in respect of floating interest rate liabilities, and as a result may not agree to the amounts disclosed on the balance sheet.

	2012	2013	2014	2015	2016	2017+	Total
Accounts payable and accrued liabilities	122,349	–	–	–	–	–	122,349
Interest rate swap payable ⁽¹⁾	1,187	1,187	445	–	–	–	2,819
Current portion of long-term debt (Note 11)	699	–	–	–	–	–	699
Long-term debt (Note 11)	6,506	43,182	73,047	71,303	–	–	194,038
Operating leases	24,374	22,021	18,706	15,781	12,457	55,792	149,131
Total	155,115	66,390	92,198	87,084	12,457	55,792	469,036

(1) Based on variable pay interest. This will be partially offset by a fixed interest receipt.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposures to credit risk arise primarily from holdings of cash and its customer and commercial accounts receivable.

To mitigate credit risk, the Company maintains deposits with financial institutions with minimum equivalent short-term credit ratings of "A1." The maximum exposure on cash is equal to the carrying amount of these instruments.

It is the Company's policy that customers who wish to trade on credit terms are subject to credit verification procedures including policies governing: credit approvals, limits, collections and fraud prevention. The Company provides allowances for potentially uncollectible accounts receivable. Receivable balances are comprised of approximately forty thousand customers spread across a wide geography, substantially reducing the Company's risk through the diversity of its customer base. Further, receivables are centrally monitored on an ongoing basis with the result that the Company's exposure to

individual customers is generally not significant. The maximum exposure is the carrying amount as disclosed in Note 5. The Company does not have any individual customers greater than 10% of total accounts receivable. At January 31, 2012, the Company's maximum credit risk exposure is \$92,652 (January 31, 2011 - \$86,242). Of this amount, \$18,614 (January 31, 2011 - \$19,458) is more than 60 days past due. The Company has recorded an allowance against its maximum exposure to credit risk of \$13,606 (January 31, 2011 - \$13,338).

As at January 31, 2012 and 2011, the Company has no significant credit risk related to derivative financial instruments.

Market risk

(a) *Currency risk* The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from U.S. dollar denominated borrowings and net investments in foreign operations.

Management is responsible for managing foreign currency risk. The Company's U.S. dollar net investment is exposed to foreign currency translation risk. A significant portion of this risk has been hedged with U.S. dollar denominated borrowings.

In respect of recognized foreign currency assets and liabilities the Company has limited exposure as risks are mitigated through treasury management.

Management considers a 10% variation in the Canadian dollar relative to the U.S. dollar reasonably possible. Considering all major exposures to the U.S. dollar as described above, a 10% appreciation of the Canadian dollar against the U.S. dollar in the year-end rate would cause net income to decrease by approximately \$100. A 10% depreciation of the Canadian dollar against the U.S. dollar year-end rate would cause net income to increase by approximately \$100.

(b) *Interest rate risk* Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate

because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by monitoring its blend of fixed and floating interest rates, and modifying this blend using interest rate swaps. Under the terms of the swaps, the Company receives fixed interest and pays floating rate interest at a fixed spread above three-month LIBOR. The goal of management is to manage the trade-off between obtaining the most beneficial effective rates of interest, while minimizing the impact of interest rate volatility on earnings.

Management considers a 100 basis point change in interest rates reasonably possible. Considering all major exposures to interest rates as described above, a 100 basis point increase in the risk-free rate would cause net income to decrease by approximately \$1,250. A 100 basis point decrease would cause net income to increase by approximately \$1,250.

(c) *Accounting classifications and fair value estimation*

The following table comprises the carrying amounts of the Company's financial instruments. Financial instruments are either carried at amortized cost using the effective interest rate method or fair value. The Company uses a three-level hierarchy to categorize financial instruments carried at fair value as follows:

- Level 1 – Fair values measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 – Fair values measured using directly or indirectly observable inputs, other than those included in Level 1
- Level 3 – Fair values measured using inputs that are not based on observable market data

These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

January 31, 2012	Maturity	Assets (Liabilities) carried at amortized cost		Assets (Liabilities) carried at fair value
		Carrying amount	Fair value	Carrying amount
Cash	Short-term	\$ 26,984	\$ 26,984	\$ -
Accounts receivable	Short-term	76,539	76,539	-
Other financial assets	Long-term	3,552	3,552	-
Accounts payable and accrued liabilities	Short-term	(122,349)	(122,349)	-
Financial derivative instruments ⁽¹⁾	Long-term	-	-	1,516
Current portion of long-term debt	Short-term	(629)	(629)	-
Long-term debt ⁽¹⁾	Long-term	(176,779)	(178,759)	-

(1) These items total \$175,263 which comprise the carrying amount of long-term debt (Note 11)

January 31, 2011		Assets (Liabilities) carried at amortized cost		Assets (Liabilities) carried at fair value
		Maturity	Carrying amount	Fair value
Cash	Short-term	\$ 31,231	\$ 31,231	\$ -
Accounts receivable	Short-term	70,180	70,180	-
Other financial assets	Long-term	3,898	3,898	-
Accounts payable and accrued liabilities	Short-term	(116,773)	(116,773)	-
Financial derivative instruments ⁽¹⁾	Long-term	-	-	1,286
Current portion of long-term debt	Short-term	(68,257)	(68,257)	-
Long-term debt ⁽¹⁾	Long-term	(125,625)	(127,275)	-

(1) These items total \$124,339 which comprise the carrying amount of long-term debt (Note 11)

February 1, 2010		Assets (Liabilities) carried at amortized cost		Assets (Liabilities) carried at fair value
		Maturity	Carrying amount	Fair value
Cash	Short-term	\$ 27,278	\$ 27,278	\$ -
Accounts receivable	Short-term	71,767	71,767	-
Other financial assets	Long-term	3,822	3,822	-
Accounts payable and accrued liabilities	Short-term	(113,407)	(113,407)	-
Financial derivative instruments ⁽¹⁾	Long-term	-	-	576
Current portion of long-term debt	Short-term	(56,651)	(56,651)	-
Long-term debt ⁽¹⁾	Long-term	(153,095)	(154,162)	-

(1) These items total \$152,519 which comprise the carrying amount of long-term debt (Note 11)

The methods and assumptions used in estimating the fair value of the Company's financial instruments are as follows:

- The fair value of short-term financial instruments approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the current risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium for the Company's credit profile.
- The derivative financial instruments have been measured using a generally accepted valuation technique. The pricing model incorporates current market measures for interest rates, credit spreads, volatility levels and other market-based pricing factors.

The portion of long-term debt in an effective fair value hedging relationship and derivative financial instruments are classified as Level 2, as they are primarily derived from observable interest rates. There would be no significant effect on net income if one or more of the assumptions used to fair value these instruments were changed to other reasonably possible alternatives. No financial instruments have been classified as Level 1 or Level 3.

Financial derivative instruments

The Company holds interest rate swaps with a notional value of US\$28,000 (January 31, 2011 – US\$28,000) to hedge a portion of the fixed rate senior notes due in 2014. Under the terms of the swaps, the Company receives fixed interest and pays floating

rate interest at a fixed spread above three-month LIBOR. The following table summarizes the Company's outstanding financial derivative instruments at January 31:

January 31, 2012	Notional value	Interest rate	Fair value
Interest rate swaps in effective fair value	US\$28,000	LIBOR plus	\$ 1,516
hedging relationship	(2010 - US\$28,000)	3.67%	(2010 - \$1,286)

Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate return to shareholders and to maintain a capital structure that provides the flexibility to take advantage of the growth and development opportunities of the business, maintain existing assets, meet financial covenants and obligations and enhance shareholder value. The capital structure of the Company consists of bank advances, long-term debt and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity to optimize capital costs. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue additional shares, borrow additional funds, adjust the amount of dividends paid or refinance debt at different terms and conditions.

The Company's process and policies for managing capital are monitored by management and are reflected in the following measures:

(a) *Debt-to-equity ratio* At January 31, 2012, the debt-to-equity ratio was 0.62 compared to 0.67 last year. The debt-to-equity ratio is within the Company's objectives. The debt-to-equity ratio is calculated as follows:

	January 31, 2012	January 31, 2011	February 1, 2010
Current portion of long-term debt	\$ 629	\$ 68,257	\$ 56,651
Long-term debt	175,263	124,339	152,519
Total debt	\$ 175,892	\$ 192,596	\$ 209,170
Total equity	\$ 283,709	\$ 286,475	\$ 281,553
Debt-to-equity ratio	0.62	0.67	0.74

(b) *Financial covenants* As a result of borrowing agreements entered into by the Company, there are certain financial covenants that must be maintained. Financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. Compliance with financial covenants is reported quarterly to the Board of Directors. During the years ended January 31, 2012 and 2011, the Company is in compliance with all financial covenants. Other than the requirements imposed by these borrowing agreements and solvency tests imposed by the CBCA, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis. The capital management objectives were substantially unchanged for the year ended January 31, 2012.

15. SHARE CAPITAL

The Arrangement (Note 1) was effective on January 1, 2011, resulting in the conversion of the Fund's income trust structure into a dividend paying publicly-traded share corporation. For each unit of the Fund held, unitholders received one common share of the Company.

The Company is considered to be a continuation of the Fund following the continuity of interests method of accounting. As such, the carrying amounts of assets, liabilities and unitholders' equity in the consolidated financial statements of the Fund immediately before the conversion were the same as the carrying values of the Company immediately after the conversion.

Authorized – The Company has an unlimited number of shares.

	Shares	Jan. 31, 2012	Shares	Jan. 31, 2011
Issued and outstanding	48,378,000	\$ 165,133	48,378,000	\$ 165,133

16. EXPENSES BY NATURE

Year Ended	January 31, 2012	January 31, 2011
Employee costs (Note 17)	\$ 210,893	\$ 202,177
Amortization	36,572	35,492
Operating lease rentals	23,391	22,952
Foreign exchange (gain)/loss	20	62

17. EMPLOYEE COSTS

Year Ended	January 31, 2012	January 31, 2011
Wages, salaries and benefits including bonus	\$ 201,761	\$ 193,169
Post-employment benefits	4,406	4,601
Share-based compensation (Note 13)	4,726	4,407
Included in the above are the following amounts in respect of key management compensation:		
Wages, salaries and benefits including bonus	\$ 3,893	2,476
Post-employment benefit expense	420	380
Share-based compensation	2,777	2,563

Key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management personnel are comprised of the Board of Directors, Chief Executive Officer, and the four senior officers.

18. INTEREST EXPENSE

Year Ended	January 31, 2012	January 31, 2011
Interest on long-term debt	\$ 6,484	\$ 6,299
Fair value movement of derivative financial instruments in effective fair value hedging relationships	(10)	(70)
Expected return on pension plan assets	(3,777)	(3,523)
Interest on pension plan liabilities	3,734	3,753
Interest income	(244)	(352)
Less: interest capitalized	(161)	(30)
Interest expense	\$ 6,026	\$ 6,077

19. DIVIDENDS

The following is a reconciliation of the dividends and distributions recorded in retained earnings to those paid in cash:

Year Ended	January 31, 2012	January 31, 2011
Dividends/distributions recorded in retained earnings	\$ 46,443	\$ 70,150
Special distribution paid February 18, 2011 to unitholders of record on December 31, 2010	4,354	(4,354)
Special distribution paid February 19, 2010 to unitholders of record on December 31, 2009	–	2,904
Dividends/distributions paid in cash	\$ 50,797	\$ 68,700
Dividends/distributions per share/unit	\$ 1.05	\$ 1.42

The payment of dividends on the Company's common shares is subject to the approval of the Board of Directors and is based upon, among other factors, the financial performance of the Company, its current and anticipated future business needs, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. Dividends are recognized as a liability in the consolidated financial statements in the year in which the dividends are approved by the Board of Directors.

The declaration of distributions from the Fund was subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees.

On March 16, 2012, the Board of Directors declared a dividend of \$0.26 per common share payable April 16, 2012 to shareholders of record as of the close of business on March 30, 2012.

20. NET EARNINGS PER SHARE

Basic net earnings per share is calculated based on the weighted-average shares outstanding during the year. The diluted net earnings per share takes into account the dilutive effect of all potential ordinary shares. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

21. OPERATING LEASE COMMITMENTS

The Company leases various retail stores, offices, warehouses and equipment under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payments are as follows:

Year Ended	January 31, 2012		January 31, 2011	
	Land and building	Other leases	Land and buildings	Other leases
Due within 1 year	\$ 23,636	\$ 738	\$ 21,498	\$ 455
Within 2 to 5 years inclusive	67,950	1,015	65,068	505
After 5 years	55,792	-	58,056	-

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

In 2002, the Company signed a 30-year Master Franchise Agreement with Giant Tiger Stores Limited, based in Ottawa, Ontario which grants the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing distribution services to the stores. The Company's exclusivity right requires that a minimum number of Giant Tiger stores be opened each year, based on an expected roll-out of 72 stores over the term of the agreement. As at January 31, 2012, the Company has opened 36 Giant Tiger stores and is in compliance with all terms of the agreement.

Contingencies

In the ordinary course of business, the Company is subject to audits by tax authorities. While the Company believes that its filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the provisions, the Company's income tax expense and its earnings

(\$ and shares in thousands, except earnings per share)

Year Ended	January 31, 2012	January 31, 2011
Diluted earnings per share calculation:		
Net earnings for the year (numerator		
for basic earnings per share)	\$ 57,961	\$ 69,656
After-tax interest cost of		
Unit Purchase Loan Plan	-	51
Numerator for diluted earnings per share	\$ 57,961	\$ 69,707
Weighted-average shares outstanding		
(denominator for basic earnings		
per share)	48,378	\$ 48,180
Dilutive effect of share-based compensation	147	332
Denominator for diluted earnings per share	48,525	48,512
Basic earnings per share	\$ 1.20	\$ 1.45
Diluted earnings per share	\$ 1.19	\$ 1.44

could be affected positively or negatively in the period in which the matters are resolved.

The Company is involved in various legal matters arising in the normal course of business. The occurrence of the confirming future events is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees

The Company has provided the following significant guarantees to third parties:

The Company has entered into indemnification agreements with its current and former directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased director and officer liability insurance. No amount has been recorded in the financial statements with respect to these indemnification agreements.

In the normal course of operations, the Company provides indemnification agreements to counterparties for various events such as intellectual property right infringement, loss or damages to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. No amount has been recorded in the financial statements with respect to these indemnification agreements.

23. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The Company's principal operating subsidiaries are set out below:

	Activity	Country of Organization	Proportion of voting rights held by:	
			Company	Subsidiary
NWC GP Inc.	General Partner	Canada	100%	
North West Company Holding Inc.	Holding Company	Canada	100%	
The North West Company LP	Retailing	Canada	100%	(less one share)
NWC (U.S.) Holding Inc.	Holding Company	United States		100%
The North West Company (International) Inc.	Retailing	United States		100%
The North West Company Cooperatie U.A.	Finance Company	Netherlands		100%

The investment in jointly controlled entities comprises a 50% interest in a Canadian Arctic shipping company, Transport Nanuk Inc. The Company's share of its earnings for the year ended January 31, 2012 and 2011 was \$797 and \$748 respectively. At January 31 2012, the Company's share of the net assets of its jointly controlled entity amount to \$7,646 (January 31, 2011 - \$6,878), comprised assets of \$9,227 (January 31, 2011 - \$10,002) and liabilities of \$1,581 (January 31, 2011 - \$3,124).

During the course of the year the Company purchased freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries in the amount of \$7,144 (January 31, 2011 - \$6,621). The contract terms are based on market rates for these types of services on similar arm's length transactions.

24. TRANSITION TO IFRS

For all periods up to and including the year ended January 31, 2011, the Company prepared its consolidated financial statements in accordance with Canadian GAAP. These consolidated financial statements, for the year ended January 31, 2012, are the first annual consolidated financial statements the Company has prepared under IFRS.

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the year ended January 31, 2012, the comparative information presented in these consolidated financial statements for the year ended January 31, 2011 and the preparation of an opening IFRS balance sheet as at February 1, 2010 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in consolidated financial statements prepared in accordance with Canadian GAAP based on IFRS 1, *First-time Adoption of International Financial Reporting Standards* (IFRS 1), elections and exceptions and IFRS policy choices. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes that accompany these tables.

Transition elections

The requirements for the first time adoption of IFRS are set out in IFRS 1. Generally, the Company is required to determine its IFRS accounting policies and to apply these retrospectively. Due to cost and/or practical considerations, retrospective application is not always possible. Accordingly, IFRS 1 delineates certain mandatory exceptions and optional exemptions from retrospective application. The requirements of IFRS 1 most applicable to the Company are as follows:

Employee benefits A first time adopter must either recalculate its actuarial gains and losses at changeover in accordance with the requirements of IAS 19, *Employee Benefits* or immediately recognize all cumulative actuarial gains and losses through opening retained earnings. The Company has applied this exemption and all unrecognized actuarial gains and losses have been recognized in opening retained earnings as at February 1, 2010. In addition, the Company has elected to disclose all employee benefit plan historical disclosures required under IAS 19 for fiscal years subsequent to the transition to IFRS.

Cumulative translation account This exemption permits reclassification of all cumulative translation differences at the transition date from other comprehensive income to

retained earnings. The Company has applied this exemption and the historical balance recorded as accumulated other comprehensive income was so transferred.

Fair value as deemed cost A choice is available between: measuring property and equipment at either its fair value at the date of transition and using those values as deemed cost; or using amortized historical cost determined in accordance with IAS 16, *Property, Plant and Equipment*. This election applies to individual assets and it has been selectively applied.

Business combinations IFRS 3, *Business Combinations* may be applied retrospectively, effectively restating all business combinations in accordance with IFRS or by restating business combinations after a selected date. The Company has applied IFRS 3 prospectively from the date of transition. Goodwill and intangible assets arising on business combinations prior to the date of transition were not adjusted from the carrying value previously determined under Canadian GAAP.

The Company evaluated whether assets acquired and liabilities assumed met the recognition criteria in the relevant IFRS standard, and whether there were any assets acquired or liabilities assumed that were not recognized under Canadian GAAP for which recognition would be required under IFRS. The Company applied the requirements of IFRS to assets acquired and liabilities assumed in business combinations which resulted in no change to the carrying value of goodwill generated from business combinations occurring prior to the Company's date of transition.

Borrowing costs This exemption allows the Company to adopt IAS 23, *Borrowing Costs* prospectively. The Company will capitalize borrowing costs on qualifying assets where the commencement date for capitalization is on or after the Company's date of transition.

Estimates IFRS 1 stipulates a mandatory exemption from retrospective application of IFRS as it pertains to the use of estimates. Estimates made in accordance with IFRS at the changeover date and in the comparative period of the first IFRS financial statements are consistent with those determined under Canadian GAAP. The use of hindsight is not permitted and was not used to adjust estimates made in the past under Canadian GAAP, nor was there any evidence that previously made estimates were in error. The adjustments made in this note reflect differences in accounting policies between the two bases of accounting.

Hedging To achieve hedge accounting at the transition date, the hedging relationship must meet the requirements of IAS 39, *Financial Instruments: Recognition and Measurement* and be formally documented. The Company has hedged the fair value of a portion of its floating rate debt and also the foreign exchange exposure from its net investment in its U.S. foreign operations. These hedging relationships were fully documented and designated at the transaction dates under Canadian GAAP and satisfied the hedge accounting criteria under IFRS at the Company's date of transition.

Reconciliation of Consolidated Balance Sheets

	Note	CDN GAAP	ADJ	IFRS	CDN GAAP	ADJ	IFRS
				January 31, 2011	February 1, 2010		
CURRENT ASSETS							
Cash		31,231	-	31,231	27,278	-	27,278
Accounts Receivable		70,180	-	70,180	71,767	-	71,767
Inventories		177,019	-	177,019	177,877	-	177,877
Prepaid expenses		6,359	-	6,359	4,786	-	4,786
Future income taxes	(h)	4,514	(4,514)	-	4,135	(4,135)	-
		289,303	(4,514)	284,789	285,843	(4,135)	281,708
NON-CURRENT ASSETS							
Property and equipment	(a)	256,454	3,129	259,583	258,928	3,099	262,027
Goodwill	(b)	26,241	-	26,241	28,593	-	28,593
Intangible assets	(b)	17,147	-	17,147	18,332	-	18,332
Deferred tax assets	(h)	4,342	12,675	17,017	5,852	20,895	26,747
Other assets	(c)	26,995	(15,184)	11,811	26,252	(15,139)	11,113
		331,179	620	331,799	337,957	8,855	346,812
TOTAL ASSETS		620,482	(3,894)	616,588	623,800	4,720	628,520
CURRENT LIABILITIES							
Accounts payable and accrued liabilities		116,773	-	116,773	113,407	-	113,407
Current portion of long-term debt		68,257	-	68,257	56,651	-	56,651
Income tax payable		347	-	347	1,888	-	1,888
		185,377	-	185,377	171,946	-	171,946
NON-CURRENT LIABILITIES							
Long-term debt		124,339	-	124,339	152,519	-	152,519
Provisions	(d)	-	3,784	3,784	-	3,616	3,616
Defined benefit obligation	(c)	-	9,000	9,000	-	10,957	10,957
Deferred tax liabilities	(h)	-	2,587	2,587	-	1,521	1,521
Other long-term liabilities	(e)	8,269	(3,243)	5,026	9,409	(3,001)	6,408
		132,608	12,128	144,736	161,928	13,093	175,021
TOTAL LIABILITIES		317,985	12,128	330,113	333,874	13,093	346,967
SHAREHOLDERS' EQUITY							
Share capital		165,133	-	165,133	165,133	-	165,133
Unit Purchase Loan Plan		-	-	-	(6,428)	-	(6,428)
Contributed surplus	(e)	2,156	335	2,491	1,569	-	1,569
Retained earnings	(f)	131,969	(12,230)	119,739	125,525	(4,246)	121,279
Accumulated other comprehensive income	(g)	3,239	(4,127)	(888)	4,127	(4,127)	-
TOTAL EQUITY		302,497	(16,022)	286,475	289,926	(8,373)	281,553
TOTAL LIABILITIES & EQUITY		620,482	(3,894)	616,588	623,800	4,720	628,520

Reconciliation of Consolidated Statements of Earnings

	Note	CDN ⁽¹⁾ GAAP	ADJ	IFRS
Year Ended January 31, 2011				
SALES		1,448,104	–	1,448,104
Cost of sales		(1,034,772)	–	(1,034,772)
Gross profit		413,332	–	413,332
Selling, operating and administrative expenses	(i)	(323,522)	462	(323,060)
Earnings from operations	(i)	89,810	462	90,272
Interest expense	(j)	(5,875)	(202)	(6,077)
Earnings before income taxes		83,935	260	84,195
Provision for income taxes	(h)	(7,341)	(7,198)	(14,539)
NET EARNINGS FOR THE YEAR		76,594	(6,938)	69,656

(1) In preparing the 2010 comparative information, certain Canadian GAAP financial statement components have been reclassified to conform with the presentation requirements of IFRS. A reconciliation of the consolidated statement of earnings format prescribed under Canadian GAAP to the one prescribed by IFRS has been provided in Note 24(l)

Reconciliation of Consolidated Statements of Comprehensive Income

	Note	CDN GAAP	ADJ	IFRS
Year Ended January 31, 2011				
NET EARNINGS FOR THE YEAR		76,594	(6,938)	69,656
Other comprehensive income/(expense):				
Exchange differences on translation of foreign controlled subsidiaries, net of tax		(888)	–	(888)
Actuarial gains/(losses) on defined benefit plans, net of tax	(c)	–	(1,046)	(1,046)
Total other comprehensive income, net of tax		(888)	(1,046)	(1,934)
COMPREHENSIVE INCOME FOR THE YEAR		75,706	(7,984)	67,722

The impact of the adjustments below on deferred tax is set out in Note h.

(a) *Property and equipment* The Company has elected under IFRS 1 to use the fair value of certain property as its deemed cost on transition to IFRS. Under Canadian GAAP these assets were carried at their original cost less accumulated amortization. The effect of this election is to increase property and equipment and retained earnings by \$2,813.

The adjustment to property and equipment also includes \$286 arising from a measurement difference on the asset retirement obligation (Note d) and \$30 of capitalized borrowing costs directly attributable to the construction of a qualifying asset that was expensed under Canadian GAAP (Note j). The estimated impact of these changes is reconciled as follows:

	January 31, 2011	February 1, 2010
Increase due to:		
IFRS 1 fair value election	\$ 2,813	\$ 2,813
Decommissioning obligation	286	286
Borrowing costs	30	–
Total adjustment	\$ 3,129	\$ 3,099

(b) *Goodwill and intangible assets* The Company has elected to apply IFRS 3 prospectively from the date of transition. No adjustments to goodwill and intangible assets arising on business combinations prior to the date of transition were identified related to the carrying value previously determined under Canadian GAAP.

(c) *Defined benefit plan obligation* The Company has elected to immediately recognize all cumulative actuarial gains and losses through opening retained earnings. The effect is to eliminate

the accrued employee future benefit asset under Canadian GAAP and to record a liability for defined benefit plans with a corresponding decrease in retained earnings. The defined benefit plan liability represents the difference between the fair value of plan assets and the benefit obligation.

IAS 19 permits an entity to make an accounting policy choice regarding the treatment of actuarial gains and losses. These choices include deferred recognition using the corridor method or immediate recognition in either equity through other comprehensive income or net earnings. Under Canadian GAAP the Company applied the corridor method. The Company has elected to recognize actuarial gains and losses on its defined benefit pension plans through other comprehensive income. The recognized actuarial gains and losses are presented in retained earnings.

The estimated impact of these changes is reconciled as follows:

	January 31, 2011	February 1, 2010
Net decrease due to:		
IFRS 1, cumulative actuarial losses	\$ (26,096)	\$ (26,096)
Employee benefit expense differential	491	-
Actuarial gains	1,421	-
Total retained earnings adjustment	(24,184)	(26,096)
Portion applied to other assets	15,184	15,139
Defined benefit plans adjustment	\$ (9,000)	\$ (10,957)

These changes resulted in an increase to earnings of \$491 for the year ended January 31, 2011. An increase to other comprehensive income of \$1,421 (decrease of \$1,046 net of tax) was also required for the year ended January 31, 2011.

(d) *Provisions* Under Canadian GAAP, an asset retirement obligation (decommissioning provision) was recorded in respect of the Company's obligation to restore certain facilities to their original condition. Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, changes in the discount rate used to measure the liability result in its revaluation. Under Canadian GAAP, only changes to the estimate resulting in increases in the liability are discounted at the current interest rate. IAS 37 also requires certain of these obligations to be classified separately from accrued liabilities.

Changing the discount rate at transition results in an increase to provisions of \$541 and an increase to property and equipment of \$286 (Note a) at February 1, 2010. The estimated impact of these changes is reconciled as follows:

	January 31, 2011	February 1, 2010
Increase due to:		
Change in discount rate	\$ 541	\$ 541
Reclassification of decommissioning obligation	3,243	3,075
Provisions adjustment	\$ 3,784	\$ 3,616

(e) *Other long-term liabilities* As described in Note 13, the Company has granted options to certain employees of the Company. IFRS 2, *Share-based Payments* requires these liability awards to be measured at the grant date, and each subsequent reporting period, using a fair value model. This differs from Canadian GAAP whereby these liability awards were measured using the intrinsic value, which is based on the market price of the Company's shares.

In addition to this measurement change, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and IFRS 2 require certain obligations to be classified separately from other long-term liabilities. As a result both the decommissioning and share-based payments obligations have been reclassified to provisions and contributed surplus respectively. The estimated impact of these changes is reconciled as follows:

	January 31, 2011	February 1, 2010
Net decrease due to:		
Change in share-based payments	\$ 335	\$ 74
Reclassification of decommissioning obligation	(3,243)	(3,075)
Reclassification of share-based payments obligation	(335)	-
Other long-term liabilities adjustment	\$ (3,243)	\$ (3,001)

(f) *Retained earnings* A reconciliation of the adjustments the Company has applied to retained earnings to effect the transition from Canadian GAAP to IFRS is as follows:

	Note	January 31, 2011	February 1, 2010
RETAINED EARNINGS, Canadian GAAP		\$ 131,969	\$ 125,525
Adjusted by:			
Property and equipment	(a)	3,129	3,099
Defined benefit plans	(c)	(24,184)	(26,096)
Provisions	(d)	(541)	(541)
Other long-term liabilities	(e)	(335)	(74)
AOCI adjustments	(g)	4,127	4,127
Deferred taxes	(h)	5,574	15,239
Transition adjustment		(12,230)	(4,246)
RETAINED EARNINGS, IFRS		\$ 119,739	\$ 121,279

(g) *Accumulated other comprehensive income (AOCI)*

The Company has elected to reset all cumulative translation differences that arose prior to the date of transition to IFRS in respect of all foreign entities to \$NIL at the date of transition. The effect is to decrease accumulated other comprehensive income by \$4,127 for all period ends presented, and to increase retained earnings by these same amounts.

A reconciliation of the adjustments the Company has applied to AOCI to effect the transition from Canadian GAAP to IFRS is as follows:

	Note	January 31, 2011	February 1, 2010
AOCI, Canadian GAAP		\$ 3,239	\$ 4,127
Cumulative translation account adjustment	(f)	(4,127)	(4,127)
AOCI, IFRS		\$ (888)	\$ -

(h) *Deferred taxes* Changes to tax reporting are predominantly caused by adjustments to the accounting basis of assets and liabilities under IFRS, the classification of all deferred tax assets and liabilities as "long-term", and differing tax rates applicable to mutual fund trusts.

From February 1, 2010 through December 31, 2010, the organization was structured as an income trust. During this period, deferred tax assets and liabilities must be calculated using the highest marginal tax rate of the Fund, which is 46.4%. A significant portion of this increase reversed through the statement of earnings as deferred tax expense in the 2010 fourth quarter comparative numbers as a result of the conversion to a share corporation and the application of corporate tax rates to calculate deferred tax assets. The impact of these changes is as follows:

	Note	January 31, 2011	February 1, 2010
Property and equipment	(a)	\$ (459)	\$ (451)
Defined benefit pension plans	(c)	6,465	6,952
Property provisions	(d)	151	144
Application of undistributed tax rate		-	9,157
Other differences		(583)	(563)
Net deferred tax adjustment		5,574	15,239
Reclassification of current deferred taxes		4,514	4,135
		\$ 10,088	\$ 19,374

Disclosed as:

Deferred tax assets	\$ 12,675	\$ 20,895
Deferred tax liabilities	(2,587)	(1,521)
	\$ 10,088	\$ 19,374

For the year ended January 31, 2011 these differences increased deferred income tax expense recognized in net earnings by \$7,198.

(i) *Selling, operating and administrative expenses* The Company has made an accounting policy choice under IAS 19, *Employee Benefits* to disaggregate defined benefit pension costs on the consolidated statement of earnings, and present the interest and expected return on asset components of total pension cost within interest expense.

The effect at January 31, 2011 has been to reclassify interest expense on the defined benefit obligation of \$3,753 and interest income on plan assets of \$3,523 out of selling, operating and administrative expenses and into interest expense. In addition to this \$230 net expense reclassification, an actuarially determined reduction to our pension expense and an increase in our share-based payments charge are combined to produce a net decrease in selling, operating and administrative expenses of \$462.

(j) *Interest expense* Under Canadian GAAP all interest was expensed as incurred. Under IFRS, borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use (qualifying assets) are capitalized as part of the respective asset. The effect is to increase property and equipment by \$30 with a corresponding decrease in interest expense for the year ended January 31, 2011. This adjustment has been combined with the net interest expense reclassification described in Note (i) to arrive at the total increase in interest expense at January 31, 2011 of \$202.

(k) *Statement of cash flows* The transition from Canadian GAAP to IFRS has not had a material impact on the statement of cash flows.

(l) *Prescribed format* Under Canadian GAAP, selling and administrative expenses were presented with cost of sales and amortization was presented separately on the consolidated statements of earnings. Under IFRS, the Company's expenses have been presented by function. To conform with the prescribed presentation, the Company has reclassified these amounts. A reconciliation of amounts presented in the financial statements reported under the previous GAAP to the comparable IFRS presentation is provided on the following page.

Format under Canadian GAAP	CDN GAAP	Format ADJ	CDN GAAP	Format under IFRS
January 31, 2011				
SALES	\$ 1,448,104	\$ -	\$ 1,448,104	SALES
Cost of sales, selling and administrative expenses	(1,322,802)	288,030	(1,034,772)	Cost of sales
Net earnings before amortization, interest and income taxes	125,302		413,332	Gross profit
Amortization	(35,492)	35,492	-	
		(323,522)	(323,522)	Selling, operating and administrative expenses
	89,810	-	89,810	Earnings from operations
Interest	(5,875)	-	(5,875)	Interest expense
	83,935	-	83,935	Earnings before income taxes
Provision for income taxes	(7,341)	-	(7,341)	Provision for income taxes
NET EARNINGS FOR THE YEAR	\$ 76,594	\$ -	\$ 76,594	NET EARNINGS FOR THE YEAR

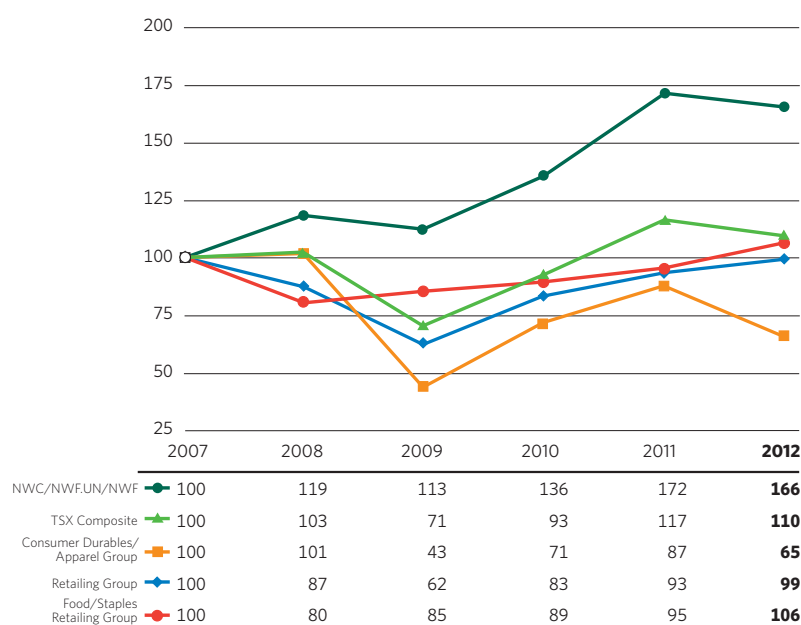
Shareholder Information

Fiscal Year Quarter ended	Share/Unit Price High	Share/Unit Price Low	Share/Unit Price Close	Volume	EPS/ EPU ¹
2011	\$ 22.50	\$ 17.85	\$ 19.40	22,417,768	\$ 1.19
April 30, 2011	22.50	19.65	19.78	5,885,378	0.26
July 31, 2011	20.85	18.51	20.23	5,802,416	0.31
October 31, 2011	20.63	17.85	18.78	4,020,971	0.35
January 31, 2012	20.72	18.28	19.40	6,709,003	0.27
2010	\$ 23.00	\$ 17.02	\$ 21.09	24,813,768	\$ 1.44
April 30, 2010	19.50	17.60	18.75	4,899,200	0.37
July 31, 2010	20.22	17.02	19.78	4,148,526	0.42
October 31, 2010	21.99	19.27	20.68	5,118,932	0.46
January 31, 2011 ²	23.00	19.93	21.09	10,647,110	0.19
2009	\$ 19.60	\$ 14.88	\$ 17.94	20,080,407	\$ 1.69
April 30, 2009	17.48	14.98	16.35	4,068,297	0.33
July 31, 2009	16.75	14.88	15.65	5,289,346	0.43
October 31, 2009	18.70	15.11	16.98	6,004,601	0.51
January 31, 2010	19.60	16.86	17.94	4,718,163	0.42

- 1 Net earnings per share (unit) are on a diluted basis. 2010 has been restated for IFRS. 2009 is reported under Canadian generally accepted accounting principles (CGAAP)
- 2 Effective January 1, 2011, North West Company Fund converted to a share corporation, called The North West Company Inc.

Total Return Performance (% at January 31)

This chart illustrates the relative performance of shares/units of The North West Company Inc. and its predecessor, North West Company Fund, over the past five years. Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The index incorporates the reinvestment of dividends and income distributions.



The North West Company Inc. Anticipated Dividend Dates*

Record Date: March 30, 2012
Payment Date: April 16, 2012

Record Date: June 29, 2012
Payment Date: July 16, 2012

Record Date: September 28, 2012
Payment Date: October 15, 2012

Record Date: December 31, 2012
Payment Date: January 15, 2013

*Dividends are subject to approval by the Board of Directors

2012 Annual Meeting

The Annual Meeting of Shareholders of The North West Company Inc. will be held on Wednesday, June 6, 2012 at 11:30 am at The Fort Garry Hotel, Grand Ballroom, 222 Broadway, Winnipeg, Manitoba

Transfer Agent and Registrar

Canadian Stock Transfer Company Inc.
(acts as administrative agent for
CIBC Mellon Trust Company)
Calgary and Toronto
Toll-free: 1 800 387 0825
www.cibcmellon.ca

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbol NWC

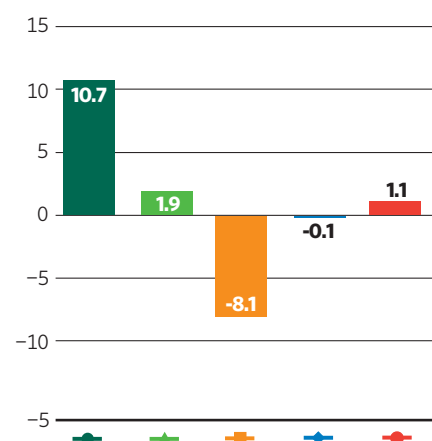
ISIN #: CA6632781093
CUSIP #: 663278109

Number of shares issued and outstanding at
January 31, 2012: 48,378,000

Auditors

PricewaterhouseCoopers LLP

Compound Annual Growth (%)



Corporate Governance

Complete disclosure of The North West Company's Inc. corporate governance is provided in the Company's Management Information Circular, which is available on the Canadian Securities Administrators' website at www.sedar.com or in the investor section of the Company's website at www.northwest.ca

Executives

Canadian Operations*

Edward S. Kennedy
President & CEO

Craig T. Gilpin
Executive Vice-President
& Chief Corporate Officer

John D. King
Chief Financial Officer

Michael W. McMullen
Executive Vice-President,
Northern Canada Retail

Dalbir S. Bains
Vice-President,
Corporate Development

David M. Chatyrbok
Vice-President,
Canadian Procurement & Marketing

Paulina Hiebert
Vice-President,
Legal & Corporate Secretary

Daniel G. McConnell
Vice-President,
Real Estate & Store Development

Christine D. Reimer
Vice-President & General Manager,
Giant Tiger, West Store Division

Richard J. Fortier
Vice-President,
Human Resources

Gerald L. Mauthe
Vice-President,
Information Services

Michael E. Sorobey
Vice-President,
Logistics & Supply Chain Services

Executives

International Operations*

Edward S. Kennedy
Chairman & CEO

Rex A. Wilhelm
President & COO

John D. King
Chief Financial Officer

J. Robert Cain
Vice-President,
Logistics & Supply Chain Services

Christie A. Frazier-Coleman
Vice-President,
Food Procurement & Marketing

Paulina Hiebert
Vice-President,
Legal & Corporate Secretary

Thomas M. Kallio
Vice-President & General Manager,
Cost-U-Less

Scott A. McKay
Vice-President,
General Merchandise
Procurement & Marketing

Walter E. Pickett
Vice-President & General Manager,
Alaska Commercial Company

James W. Walker
Vice-President & General Manager,
Wholesale Operations

*as at April 9, 2012

Directors

The North West Company Inc.

H. Sanford Riley
Chairman

Edward S. Kennedy

David G. Broadhurst^{1,2}

Frank J. Coleman^{1,2}

Wendy F. Evans^{1,3}

Robert J. Kennedy^{2,3}

Gary J. Lukassen²

Gary Merasty^{2,3}

James G. Osborne^{1,3}

Eric L. Stefanson^{2,3}

Annette M. Verschuren^{2,3}

Board Committees

- 1 Governance & Nominating
- 2 Audit
- 3 Human Resources, Compensation and Pension

For additional copies of this report or for general information about the Company, contact the Corporate Secretary:

The North West Company Inc.

Gibraltar House, 77 Main Street
Winnipeg, Manitoba Canada R3C 2R1
T 204 934 1756 F 204 934 1317
investorrelations@northwest.ca
www.northwest.ca





Nor'Westers are associated with the vision, perseverance, and enterprising spirit of the voyageurs who pushed past limits to further our Company's growth during the fur trade. We trace our roots to 1668, and the establishment of one of North America's early trading posts at Waskaganish on James Bay. Today, we continue to embrace this pioneering culture as true "frontier merchants."

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