More in Store

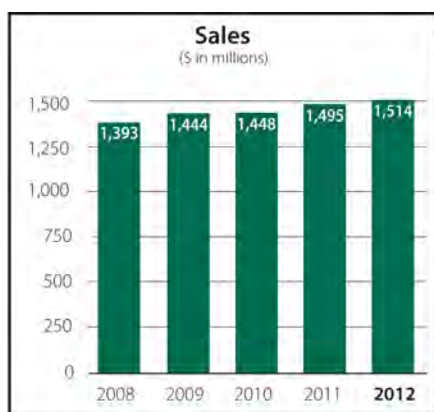
THE NORTH WEST COMPANY INC. 2012

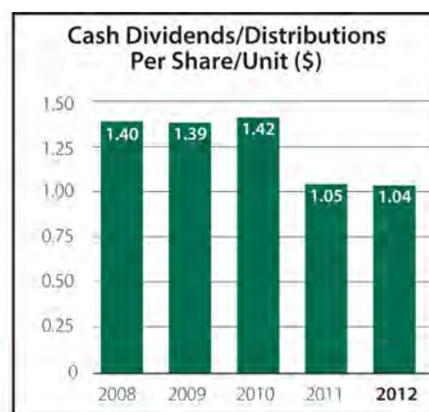
Annual Report

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, 2013**	Year Ended January 31, 2012	Year Ended January 31, 2011
RESULTS FOR THE YEAR			
Sales	**$ 1,513,646**	$ 1,495,136	$ 1,448,104
Same store sales % increase (2)	**0.5%**	3.3%	2.7%
Trading profit (3) (EBITDA)	**$ 134,267**	$ 125,881	$ 125,764
Earnings from operations (3) (EBIT)	**97,118**	89,309	90,272
Net earnings	**65,148**	57,961	69,656
Cash flow from operating activities	**128,992**	115,469	114.564
FINANCIAL POSITION			
Total assets	**$ 651,394**	$ 626,917	$ 616,588
Total debt	**163,354**	175,892	192,596
Total equity	**296,250**	283,709	286,475
FINANCIAL RATIOS			
Debt-to-equity	**.55:1**	.62:1	.67:1
Return on net assets (3) (RONA)	**20.7%**	18.5%	17.9%
Return on average equity (3) (ROE)	**22.5%**	20.1%	24.1%
Sales blend: Food	**76.8%**	76.4%	76.4%
General Merchandise	**19.5%**	20.2%	20.3%
Other	**3.7%**	3.4%	3.3%
PER SHARE ($) - DILUTED (4)			
Trading profit (3) (EBITDA)	**$ 2.76**	$ 2.59	$ 2.59
Net earnings	**1.34**	1.19	1.44
Cash flow from operating activities	**2.66**	2.38	2.36
Market price: January 31	**23.14**	19.40	21.09
high	**23.88**	22.50	23.00
low	**19.34**	17.85	17.02





(1) 2012 and 2011 are reported in accordance with International Financial Reporting Standards (IFRS). 2010 has been restated to IFRS. All other historical financial information was prepared in accordance with Canadian generally accepted accounting principles (CGAAP) and has not been restated to IFRS.
(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 8 for further information.

THE NORTH WEST COMPANY INC. 2012

Annual Report

TABLE OF CONTENTS

Management's Discussion & Analysis

Forward-Looking Statements 2
President & CEO Message 3
Chairman's Message 4
Our Business Today and Vision 5
Principles and Strategies 6
Key Performance Drivers and Capabilities to Deliver Results 8
Conversion to a Share Corporation 8
Consolidated Results 9
Canadian Operations Financial Performance 11
International Operations Financial Performance 13
Consolidated Liquidity and Capital Resources 14
Quarterly Financial Information 18
Disclosure Controls 19
Internal Controls over Financial Reporting 19
Outlook 19
Risk Management 20
Critical Accounting Estimates 23
Future Accounting Standards 25
Non-GAAP Financial Measures 26
Glossary of Terms 27
Eleven-Year Financial Summary 28

Consolidated Financial Statements

Management's Responsibility for Financial Statements 30
Independent Auditor's Report 30
Consolidated Balance Sheets 31
Consolidated Statements of Earnings 32
Consolidated Statements of Comprehensive Income 32
Consolidated Statements of Changes in Shareholders' Equity 33
Consolidated Statements of Cash Flows 34
Notes to Consolidated Financial Statements 35
Shareholder Information 56
Corporate Governance 57

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 2012 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, 2013 are in Canadian dollars, except where otherwise indicated, and are 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 consolidated financial statements is provided in the 2011 Annual Financial Report available on SEDAR at *www.sedar.com* or on the Company's website at *www.northwest.ca*.

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on April 8, 2013 and the information contained in this MD&A is current to April 8, 2013, 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*.

2012 President & CEO Message

I am pleased to report that North West delivered growth in trading profit and earnings in 2012. This gain is the outcome of a sustainable roadmap to improved operating practices, driving down costs and offering our customers more for less.

We accomplished this while making progress on our performance improvement initiatives in our Cost-U-Less (CUL) and Giant Tiger (GT) divisions and developing new products in our financial services business. The credit goes to our people: their utmost commitment and hard work made the difference that mattered to our customers and ultimately, our year-end results.

Last year we made promises to deliver on the *More Growth in Store* strategies that we planned, tested and rolled out. 2012 was the year for results. Several initiatives rose to this challenge and deserve mention, starting with our perishable category performance.

Efficiency gains in our largest perishable categories continued to exceed expectations and demonstrated that even in our most remote, highest-cost stores, product waste and spoilage can be minimized.

Similarly, we proved that in-stock rates well over 90% can still be achieved in stores 1,000 miles from the nearest road, with deliveries only by air and water. Remaining committed, we maintained our advantage by being ready for business.

By year end, we had completed development of a system to track and trace everything we move across our vast geography, whether by road, rail, air, ship, barge or local handler. Once fully deployed by mid-2013, this will be another first for our customers and a tremendous asset to help maximize supply chain productivity.

Finally, we continued to build the strength of our front line people. A record number of new managers graduated from our training programs and were successfully placed in rewarding roles, ready to fully contribute from day one. Staff housing upgrades remained a priority to ensure that we have a complete, superior package of job benefits for some of the most important positions in our company.

While we've executed well on delivering *More Growth in Store*, several of our CUL stores faced a further deterioration in economic conditions, most notably the U.S. Virgin Islands where high unemployment, margin pressures and rising utility costs impacted our performance. In response, we shifted to lower price points and new import and opportunity buys to bring our customers better value. While we expect economic conditions to remain challenging, we are confident that our sharper focus on food will improve performance in 2013.

Our priority at GT last year was to re-commit to execution, which fit well with our *More Growth in Store* strategy and was equally driven by competitive pressures and performance shortcomings. True to beginning our GT venture 11 years ago, we still believe that urban neighbourhoods and small towns are attractive niche markets underserved by big-box names, and on that basis we've built a leading junior discount position across the Canadian Prairies. Given the recent significant investment in urban retail space by larger competitors, especially within the discount segment, holding sales will be a priority for GT in 2013. We will continue to use our local advantage to pursue unique product opportunities while closing controllable performance gaps to compete and win.

In 2012, we benefited from what we've learned after three years of running a tighter, execution-driven business. *More in Store* represents the momentum and the possibilities we've created by digging deeper into how we work and how we can be an even more relevant and trusted provider of food and everyday products and services for our customers. One finding leads to another, creating new energy and confidence in our potential.

"*More in Store*" will extend beyond the four walls of our stores to our broader advantage of delivering products and services to hard-to-reach markets. One example is financial services.

Like all our strategies, we view financial services through a lens that applies our local insight and execution skills to create solutions. In alliance with new partners, we've created a unique "WE Financial" prepaid VISA card launching in the second quarter to provide customers with expanded financial access to the world around them.

In summary, North West has a tradition of stability and consistency helped by, but not dependent on, favourable economic conditions. I remain optimistic about our participation in the development potential of the North, Western Canada and the island markets we serve. I am equally confident in our ability to continue creating and sustaining ideas tailored to our unique geographic presence and the "*More in Store*" operating strengths we've worked hard to build.

Edward S. Kennedy
President & CEO
April 8, 2013

2012 Chairman's Message

2012 was a satisfying year that delivered much of the promised performance embedded in *More Growth in Store*. Trading profit grew again to a record $134.3 million and return on equity increased to 22.5%, while investor returns remained within top quartile ranges at 25.1% for the year.

These results were accomplished amidst continued global economic instability and lower public and private investment within most North West markets. Business conditions demanded the very focus that the Company has been committed to for the past three years: efficiency gains leading to lower costs and better prices to help improve our customers' quality of life.

At the Board level, it was gratifying to see the output of management's work and the resulting rewards from staying a course that emphasized "middle line" improvement while keeping an eye on top-line growth ideas. Throughout the year, the energy of our associates, from store staff to office support and our distribution centres, was impressive. *More Growth in Store* is really about this collective ability to innovate, adapt and achieve.

The Board's work in 2012 ran parallel to the Company's emphasis on refining execution. Previous governance priorities centered on Board renewal and ensuring that management planning, risk management and incentive practices were effective and aligned. With this in place, attention shifted to oversight and building a highly-cohesive, dynamic Board that fully leverages the skills of our newer members. I am pleased to report that on both counts, the progress was noteworthy and met the high standards of effective governance set by prior Boards.

2013 will be another important year for North West and Board activity. Attention will continue to focus on operational excellence and further gains despite forecasts of ongoing economic uncertainty. Significant time will also be invested in assessing a wider range of strategic options that can renew the Company's growth over the next five years and beyond.

Both the Board and the Company's management team have the insight and experience for the task at hand. This will be stimulating and rewarding work that holds tremendous potential for serving our customers in new ways, leading to new opportunities and setting the stage for far *More in Store* at North West.

H. Sanford Riley
Chairman, Board of Directors
April 8, 2013

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 to varied local values and priorities to forge community partnerships; our on-the-ground presence with hard-to-replicate skills, insights and facilities; our logistics expertise in moving product to, and operating stores within, remote or difficult-to-reach markets; and our ability to apply these strengths 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 fuel, post offices, pharmacies, income tax return preparation, quick-service prepared food, commercial business sales, prepaid card products, ATMs, cheque cashing and propriety credit programs.

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., 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 and cultures, and capture selling opportunities better than our competition. Store development flexibility, store management selection and education, store-level merchandise ordering, community relations and enterprising 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 logistics and selling skills specifically, are essential components in to meeting 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

- **121 Northern** stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- **31 Giant Tiger ("GT")** 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;
- **13 Quickstop** convenience stores, offering ready-to-eat foods, fuel and related services;
- **1 Valu Lots** discount center and direct-to-customer food distribution outlet for remote communities in Canada;
- **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 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 ("AC")**, 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 within rural Alaska;
- **Pacific Alaska Wholesale ("PAW")**, a leading distributor to independent grocery stores and individual households in rural Alaska;
- **13 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 in Guam offering convenience with an emphasis on fresh and prepared foods.

VISION

At North West our mission is to be a trusted provider of goods and services within hard-to-reach, underserved and less developed markets. Our vision is to bring products and services to communities that help people live better. At the retail level, this starts with our customers' 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 adaptable, 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 total 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 local presence as a supportive community citizen.
Enterprising is our spirit of innovation, improvement and growth, reflected in our unrelenting focus on new and better products, services and processes.
Passion refers to our connection to our work, our privileged local market presence and the opportunity to find solutions that make a difference in peoples' lives.
Accountability is our management approach to getting work done through effective 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 are aligned with a total return approach to investment performance. We aim to deliver top quartile returns through an equal emphasis on growth and income yield with opportunities considered in terms of their growth potential and ability to sustain an attractive cash return.

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.

The strategic rationale for this approach fully considered our past successes and unrealized opportunities. Over the previous cycle, food market share and margin rates had increased through better sourcing and through more store-branded products that offered a value alternative to national brands. Our food growth strategy was augmented by opportunistically pursuing complimentary everyday products and services. These included financial services, post offices, retail gas bars 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.

These initiatives developed the business beyond our core northern markets and merchandise mix but also stretched our resources and executive attention. 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.

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, would 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 specific areas we have highlighted for attention further protect, grow and optimize the performance of our food business, which accounts for 77% of our sales base, the stability of our store teams, and the strength of our supply chain.

In addition to our "*More Growth in Store*" emphasis, NWC will complete an in-depth strategy assessment in 2013 to determine possible work directions over the following three to five years. Beyond the medium term potential of existing initiatives our scope will include the health and future of our general merchandise business, new market growth and complimentary business opportunities. We expect this work to be substantially completed by December 2013. Across this work we continue to emphasize new ideas, clear principles, execution, and the ability to track performance and we will 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.

Following is an update on the *More Growth in Store* 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, Frozen Food and Food Service.
Result
The emphasis in 2012 was on Produce and Fresh Meat categories. Findings from this work were also applied to Commercial Bakery, Fuel and Tobacco with further gains in these latter categories expected in 2013. The key drivers continue to be more controlled assortments, increased use of pre-packaged product, daily company-wide visibility on product waste, simplified ordering processes, enhanced inventory and margin management tools and training certification programs. After a slower start in 2011 because of the shift in discipline and attention that was required, 2012 moved at a faster, more productive pace. This is expected to continue into 2013 as new product categories are added. The financial impact has been very positive with Alaskan and northern Canada Produce and Fresh Meat gross profit dollars up 26% or $11.0 million over the three years ending January 2013.

Initiative #2
Optimize in-stock position
This priority is highlighted by the fact that 87% of our sales (excluding Giant Tiger) are in everyday consumable products that depend on a strong in-stock position. 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 have been further refined by adjusting product space allocations.
Result
In 2012, the average in-stock performance at our Alaskan and northern Canada stores improved by 470 basis points compared to the average in-stock rate in 2011. During the year we also implemented the processes and tracking from our in-stock initiative in our Cost-U-Less stores which resulted in an 820 basis point improvement in their in-stock performance over 2011. Combined with a wider range of products now being measured under this initiative, our average in-stock rate has generated an estimated annualized sales gain of $9.0 million or 1.1% of the food sales base of these divisions.

In 2013, our in-stock work will be integrated into the everyday inventory focus at North West. Elements of our in-stock initiative will carry forward within new replenishment initiatives that build on the tracking capability of our Transportation Management System.

Initiative #3
Ensure store teams stability

Within such a remote, diverse store network, our local skill and presence is a core advantage. Through our assessment, we identified a 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 retain highly capable, thoroughly trained 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 within each store location for an average time of at least three years. Similar to other "*More Growth in Store*" work, 2012 was an important year for building momentum and putting in place proven methods to achieve desired stability levels.

Result

In 2012, a record number of managers were trained and placed in rewarding roles. Our search for talented managers takes us across Canada and the international markets we operate in. A new recruitment platform was implemented in 2012 to reduce the time and cost to hire candidates. The movement of management between stores to fill critical vacancies was a barrier to achievement of overall stability. To reduce the need to transfer employees, improved recruitment planning was implemented, store level succession planning was established and a pool of ready trained managers is being created. Our staff housing upgrade program, which provides a higher-standard housing benefit for store personnel recruited into northern communities, included capital spending of $4.3 million in 2012. Work continued on success profiles for all store manager and district manager positions at North West with the development of coaching guides and specific competency training to develop skills that are key drivers of success at North West.

Initiative #4
Be "priced right"

Better price management is 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 true costs and purchase volumes relative to price.

Result

2012 built on the success of major price reductions on nutritious perishable foods qualifying for Nutrition North Canada ("Nutrition North") freight subsidies that took effect in 2011. Air freight routing changes in mid-2012 achieved a significant savings in transportation costs to Baffin Island. Similar to the Nutrition North price reductions, these savings were fully and transparently passed on in the form of price reductions on key volume items.

Work was also completed across all food categories to ensure correct "landed" costs and prices that reflected the optimal relationship between like items and between national and store brands. The net effect of this work was to improve both sales tonnage and margins.

In 2013, we expect to find further 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 integrated logistics network.

Result

In 2012, $1.7 million in outbound freight savings and distribution centre efficiencies were achieved through improved routing and freight rates across our supply chain network and the implementation of productivity tools in our Winnipeg Distribution Centre. A dedicated cross-functional team is working on the implementation of the $7 million, transportation management system ("TMS"). The deployment of TMS at North West will utilize 40% more functionality than typical TMS implementations which speaks to the complexity of our diverse network of freight modes and carriers. For outbound shipments the TMS solution required the development of a custom track and trace system, smart-labeling of all warehouse and cross dock merchandise, enhanced warehouse management systems to facilitate load building in one system and the ability for air carriers to plan, execute and provide shipment status updates on shipments processed at their hubs.

We expect to have all phases of the project fully deployed by the third quarter of 2013 and estimate that, within 24 months following the roll-out, we will be able to further reduce our annual supply chain costs by approximately $5 million. The net savings from TMS will be strategically reinvested to continue to bring greater value to our customers.

Initiative #6
Cascade our leadership principles into practices

We consider our leadership principles to be the foundation for great, sustainable performance across all levels at North West. From our cashiers to our buyers and store managers, we recognize that effective management practices reflect these principles and align our work.

Result

2012 started and ended with a focus on our store management levels. In the first half of the year our progress was slower than expected due to personnel changes within our Human Resources team including a vacancy at the Vice-President, Human Resources position for most of 2012. CEO-led leadership sessions were a key part of our second half work and this will continue into 2013 assisted by the recruitment of a Vice-President, Human Resources and a greater time commitment from the entire senior management team.

KEY PERFORMANCE DRIVERS AND CAPABILITIES REQUIRED 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 build and maintain supportive community relations: Our ongoing community presence depends on our ability to be a trusted, open, respectful and adaptable organization. Our approach is to reflect community priorities first and invest in local causes with community development and healthy living being two examples. We facilitate regular meetings with community and regional leadership to build constructive relationships and to ensure that information and ideas are shared on a proactive basis.

Our ability to attract, retain and develop highly capable store level employees and work practices: 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. This recognizes the important role played by our managers and other key store-level personnel in realizing local selling opportunities, meeting our customer service commitments and building and maintaining positive community relationships. It also recognizes the reality that remoteness, employment competition from other local sectors and other conditions of our markets create challenges in attracting and retaining people. Related to this is our on-going interest in hiring locally and assisting people to reach their potential.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to sell merchandise: A key goal is to shift more staff time and skill towards 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.

On November 21, 2011, 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.

FISCAL YEAR

The fiscal year ends on January 31. The 2012 year which ended January 31, 2013 had 366 days of operations as a result of February 29th. The first quarter had 90 days of operations compared to 89 days of operations in the first quarter of 2011. The estimated impact of the extra day has been deducted from 2012 same store sales.

Consolidated Results

2012 Highlights

- Sales increased to $1.514 billion, our 13th consecutive year of sales growth.
- Net earnings increased 12.4% to $65.1 million.
- Cash flow from operating activities increased 11.7% to $129.0 million and has grown 8.1% on a compound annual basis over the past 10 years.
- Quarterly dividends to shareholders increased 8.3% to $0.26 per share.
- Return on average equity was 22.5%, our seventh consecutive year greater than 20.0%.
- Return on net assets was 20.7% compared to 18.5% in 2011.
- Debt-to-equity improved to .55:1.
- Total returns to shareholders were 25.1% for the year and were 11.8% on a compound annual basis over the past five years.

FINANCIAL PERFORMANCE

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)	2012	2011	2010
Sales	$ 1,513,646	$ 1,495,136	$ 1,448,104
Same store sales % increase(1)	0.5%	3.3%	2.7%
Trading profit(2) (EBITDA)	$ 134,267	$ 125,881	$ 125,764
EBIT(2)	$ 97,118	$ 89,309	$ 90,272
Net earnings(3)	$ 65,148	$ 57,961	$ 69,656
Net earnings per share/unit - basic(3)	$ 1.35	$ 1.20	$ 1.45
Net earnings per share/unit - diluted(3)	$ 1.34	$ 1.19	$ 1.44
Cash dividends/distributions per share/unit(3)	$ 1.04	$ 1.05	$ 1.42
Total assets	$ 651,394	$ 626,917	$ 616,588
Total long-term liabilities	$ 164,960	$ 215,206	$ 144,736
Return on net assets(2)	20.7%	18.5%	17.9%
Return on average equity(2),(3)	22.5%	20.1%	24.1%

(1) All references to same store sales excludes the foreign exchange impact
(2) See Non-GAAP financial measures section on page 26
(3) Effective January 1, 2011 ("2010"), North West Company Fund converted to a share corporation called The North West Company Inc. Information on the impact of the conversion is provided in net earnings on page 10, return on average equity on page 11 and shareholder dividends and unitholder distributions on page 15.

Consolidated Sales Sales for the year ended January 31, 2013 ("2012") increased 1.2% to $1.514 billion compared to $1.495 billion for the year ended January 31, 2012 ("2011"), and were up 4.5% compared to $1.448 billion for the year ended January 31, 2011 ("2010"). Sales for the year were negatively impacted by store closures in the Canadian Operations partially offset by one extra day of operations as a result of February 29th and the foreign exchange impact on the translation of U.S. denominated sales in the International Operations. Excluding the foreign exchange impact, sales increased 1.0% from 2011 and were up 5.5% from 2010. On a same store basis, sales increased 0.5% compared to increases of 3.3% in 2011 and 2.7% in 2010.

Food sales increased 1.8% from 2011, and were up 1.6% excluding the foreign exchange impact led by sales growth in our Canadian Operations. Continued improvement in our in-stock performance and a focus on higher growth food product categories in our northern Canada stores contributed to the sales growth. Same store food sales increased 1.4% over last year with quarterly same store increases of 2.8%, 2.0%, 1.0% and 0.6% in the fourth quarter. Canadian food sales increased 1.9% and International food sales were up 1.0% excluding the foreign exchange impact.

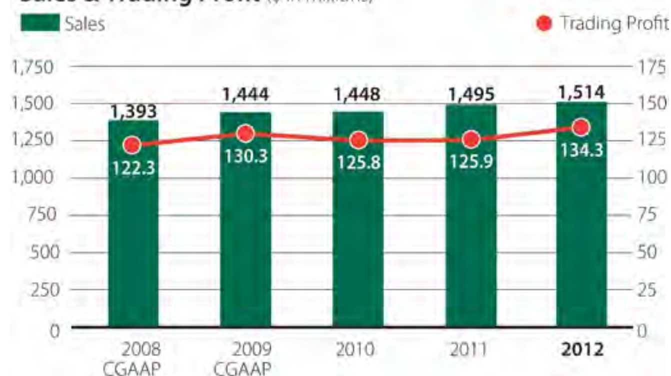
General merchandise sales decreased 2.1% compared to 2011 and were down 2.2% excluding the foreign exchange impact. Same store general merchandise sales decreased by 3.1% for the year with an increase of 4.7% in the first quarter and decreases of 0.8%, 5.8% and 6.8% in the last three quarters of the year. General merchandise sales were weak across all of our banners due to lower spending in discretionary categories such as electronics and home furnishings and a weaker assortment in other categories.

Other revenue, which includes fuel, fur and service charge revenue, increased 7.5% compared to 2011 largely due to fuel market share gains and inflation.

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

	2012	2011	2010
Food	76.8%	76.4%	76.4%
General merchandise	19.5%	20.2%	20.3%
Other	3.7%	3.4%	3.3%

Canadian Operations accounted for 68.9% of total sales (68.8% in 2011 and 67.6% in 2010) while International Operations contributed 31.1% (31.2% in 2011and 32.4% in 2010).



Gross Profit Gross profit increased 3.9% to $444.7 million compared to $428.0 million last year driven by sales growth and a 75 basis points improvement in the gross profit rate. The gross profit rate was 29.38% compared to 28.63% last year as food gross profit rate improvements in both Canadian and International Operations more than offset lower general merchandise gross profit rates. Food gross profit rate gains were largely due to better buying and inventory management, favourable changes in product mix and improved perishable category performance.

Selling, operating and administrative expenses Selling, operating and administrative expenses ("expenses") increased 2.6% to $347.6 million and increased 31 basis points as a percentage of sales compared to last year. The most significant factor was a $3.7 million increase in share-based compensation costs largely due to a higher share price compared to last year. The share price increased $3.74 per share or

19.3% to $23.14 at January 31, 2013 compared to $19.40 at January 31, 2012. Additional information on share-based compensation is provided in Note 13 to the consolidated financial statements. Costs related to store closures in the Canadian Operations and higher utility costs and employee medical insurance expenses in the International Operations also contributed to the increase in expenses.

Earnings from operations (EBIT) Earnings from operations or earnings before interest and income taxes ("EBIT") increased 8.7% to $97.1 million compared to $89.3 million last year as sales growth and gross profit rate improvements more than offset higher selling, operating and administrative expenses. Excluding the foreign exchange impact, earnings from operations increased $7.7 million or 8.6% compared to last year. Trading profit or earnings before interest, income taxes, depreciation and amortization ("EBITDA") of $134.3 million increased 6.7% compared to last year. Excluding the foreign exchange impact, trading profit increased 6.5% and was 8.9% as a percentage to sales compared to 8.4% last year.

Interest expense Interest expense decreased 3.6% to $5.8 million compared to $6.0 million last year. The decrease in interest expense is largely due to the capitalization of interest on construction projects. An increase in the average cost of borrowing to 3.5% compared to 3.2% in 2011 was partially offset by a 6.4% decrease in average debt levels compared to last year. Further information on interest expense is provided in Note 18 to the consolidated financial statements.

Income tax expense The provision for income taxes increased to $26.2 million compared to $25.3 million last year and the effective tax rate for the year was 28.7% compared to 30.4% last year reflecting an increase in earnings in the Canadian Operations and lower earnings in the International Operations. The decrease in the effective tax rate is due to lower statutory income tax rates in Canada and the impact of income earned across the various tax jurisdictions in the International Operations. A more detailed explanation of the income tax provision and deferred tax assets is provided in Note 9 to the consolidated financial statements.

Net earnings Consolidated net earnings increased 12.4% to $65.1 million or $1.34 per share on a diluted basis compared to $58.0 million or $1.19 per share in 2011. The increase in Canadian earnings from operations combined with lower income tax rates in Canada more than offset lower earnings in the International Operations. Additional information on the financial performance of Canadian Operations and International Operations is included on page 11 and page 13 respectively. In 2012, the average exchange rate used to translate U.S. denominated sales and expenses from the International Operations was relatively flat at 0.998 compared to 0.991 last year.

The Canadian dollar's depreciation versus the U.S. dollar in 2011 had the following net impact on the 2012 results:

Sales........increase of $3.1 million or 0.2%
Earnings from operations........increase of $0.1 million
Net earnings........increase of $0.1 million
Diluted earnings per share........$0.00 per share

The decrease in net earnings from 2008 to 2010 compared to 2011 and 2012 performance as shown in the preceding graph is largely due to the conversion to a share corporation and the taxation of earnings in the Canadian Operations. Prior to the conversion to a share corporation on January 1, 2011, earnings from The North West Company LP flowed to North West Company Fund on a pre-tax basis and were fully distributed to unitholders. There was no income tax payable by the Fund on these distributions. See Conversion to a Share Corporation on page 8 for further information.

Although the Company was structured as an income trust for most of 2010, the application of different tax rates used to calculated deferred tax assets and liabilities for income trusts under IFRS compared to CGAAP resulted in an increase in the income tax provision from $7.3 million under CGAAP to $14.5 million under IFRS. This change in income tax expense was the primary reason for the decrease in 2010 net earnings reported under IFRS compared to 2009 net earnings reported under CGAAP.

Total Assets Consolidated assets increased 3.9% to $651.4 million compared to $626.9 million in 2011 and were up 5.6% compared to $616.6 million in 2010. The increase in consolidated assets is largely due to higher property and equipment and intangible assets compared to last year and 2010 and an increase in deferred tax assets compared to last year. The increase in property and equipment is due to investments in new stores, major store renovations, improvements to staff housing and equipment replacements. The increase in intangible assets is primarily due to the development of a transportation management system and an upgrade to the Company's financial management system. Deferred tax assets have increased compared to last year mainly due to tax assets related to property and equipment and share-based compensation.

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

($ in thousands)	**2012**	2011	2010
Current assets	**$ 303,896**	$ 295,836	$ 284,789
Current liabilities	**$ (190,184)**	$ (128,002)	$ (185,377)
Working capital	**$ 113,712**	$ 167,834	$ 99,412

Working capital decreased $54.1 million or 32.2% to $113.7 million compared to 2011 and was up $14.3 million or 14.4% compared to 2010. The decrease in working capital compared to 2011 is primarily due to an increase in current liabilities largely related to the current portion of long-term debt and income tax payable. The current portion of long-term debt increased to $40.4 million compared to $0.6 million in 2011 but was down compared to $68.3 million in 2010 as a result of the timing of the maturity of loan facilities. See Note 11 to the consolidated financial statements for further information on long-term debt. The increase in income tax payable is due to the conversion from an income trust to a share corporation on January 1, 2011 and the resulting taxation of Canadian earnings.

Return on net assets employed increased to 20.7% from 18.5% in 2011, and return on average equity increased to 22.5% from 20.1% in 2011. Return on net assets increased due to a 8.7% increase in earnings before interest and taxes and lower average net assets employed.

Additional information on net assets employed for the Canadian and International Operations is on page 12 and page 14 respectively.

Return on average equity improved to 22.5% due to a 12.4% increase in net earnings partially offset by an increase in average equity compared to last year. The decrease in the return on average equity from 2008 to 2010 compared to 2011 and 2012 as shown in the graph below is largely due to the conversion to a share corporation and the taxation of earnings in the Canadian Operations as previously noted. Further information on shareholder's equity is provided in the statements of changes in shareholders' equity in the consolidated financial statements.

Total long-term liabilities Consolidated long-term liabilities decreased $50.2 million or 23.3% to $165.0 million from 2011 and were up $20.2 million or 14.0% compared to 2010. The decrease in long-term liabilities from 2011 is largely due to an increase in the current portion of long-term debt related to the International Operations loan facilities that mature December 31, 2013. Further information on long-term debt is included in the sources of liquidity and capital structure sections on page 16 and page 17 respectively and in Note 11 to the consolidated financial statements.

The increase in long-term liabilities compared to 2010 is due to an increase in the defined benefit plan obligation largely related to a significant decrease in the discount rate used to calculate pension liabilities. The defined benefit obligation increased $19.4 million to $28.4 million compared to $9.0 million in 2010. 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)	2012	2011	2010
Sales	**$ 1,043,050**	$ 1,028,396	$ 978,662
Same store sales % increase	**1.0%**	3.7%	4.1%
Trading profit [1] (EBITDA)	**$ 107,060**	$ 97,998	$ 98,781
Earnings from operations [1] (EBIT)	**$ 77,905**	$ 69,253	$ 71,270
Return on net assets [1]	**25.0%**	20.7%	20.2%

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

Sales Canadian Operations sales increased $14.7 million or 1.4% to $1.043 billion compared to $1.028 billion in 2011, and were up $64.4 million or 6.6% compared to 2010. Same store sales increased 1.0% compared to a 3.7% increase in 2011. Food sales accounted for 72.2% (71.8% in 2011) of total Canadian sales. The balance was made up of general merchandise sales at 23.0% (23.6% in 2011) and other sales, which consists primarily of fuel sales and service charge revenue at 4.8% (4.6% in 2011).

Food sales increased by 1.9% over 2011 and were up 7.1% compared to 2010. Same store food sales increased 2.0% compared to 3.8% in 2011. Same store food sales had quarterly increases of 4.2%, 3.0%, 1.1% and 0.7%. Strong food sales growth in our northern markets due in part to product assortment changes and continued improvement in our in-stock rates more than offset lower sales in less remote stores. Food sales in stores impacted by the Nutrition North Canada ("NNC") freight subsidy had the largest increases building on the sales growth in 2011. The Company continued to review its supply chain network in an effort to reduce transportation costs to the north. In September 2012, the Company began to air freight merchandise directly to Baffin Island from its distribution center in Winnipeg. The savings from this initiative were invested in price reductions of 15% or more on 175 key products sold in the Company's stores located on Baffin Island which also contributed to the sales gain. Food inflation resulting from higher commodity costs net of NNC freight subsidies was approximately 1%.

General merchandise sales decreased 1.2% from 2011 but were up 3.3% compared to 2010. Same store sales decreased 2.2% compared to a 3.3% increase in 2011. On a quarterly basis, same store sales increased 6.3% in the first quarter followed by decreases of 0.3% in the second quarter and 5.4% in the last two quarters of the year. Sales were negatively impacted by assortment challenges and lower discretionary spending on electronics, home furnishings and other hardlines categories.

Other revenues, which include fuel, fur and service charge revenue, were up 7.9% from 2011 and increased 15.3% over 2010. The increase in other revenues is largely due to fuel market share gains and inflation.

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

	2012	2011	2010
Food	**72.2%**	71.8%	71.8%
General merchandise	**23.0%**	23.6%	23.7%
Other	**4.8%**	4.6%	4.5%

Same Store Sales Canadian Operations have consistently achieved upper-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)	2012	2011	2010
Food	**2.0 %**	3.8%	4.6%
General merchandise	**(2.2)%**	3.3%	2.6%
Total sales	**1.0 %**	3.7%	4.1%

Gross Profit Gross profit dollars for Canadian Operations increased by 5.0% driven by sales growth and improvement in gross profit rates. The higher gross profit rates were due to product assortment changes, better buying and inventory management, improved perishable category profitability, and reduced pricing pressure in select southern markets compared to last year. Higher gross profit rates on gasoline was also a factor. Partially offsetting these improvements were higher markdowns to clear slow moving general merchandise in northern markets.

Selling, operating and administrative expenses Selling, operating and administrative expenses ("expenses") increased 2.9% from 2011 and were up 32 basis points as a percentage of sales compared to last year. Higher share-based compensation costs related to an increase in share price compared to last year as noted under the consolidated financial results was the largest factor contributing to the increase in expenses. A $1.3 million loss on the closure of six Giant Tiger stores and higher pension costs were also factors. Excluding the Giant Tiger store closure loss, expenses increased 20 basis points as a percentage of sales.

Earnings from operations (EBIT) Earnings from operations increased $8.7 million or 12.5% to $77.9 million compared to $69.3 million in 2011 as sales growth and an improvement in gross profit rates more than offset higher expenses. Trading profit from Canadian Operations increased $9.1 million or 9.2% to $107.1 million and was 10.3% as a percentage of sales compared to 9.5% in 2011. Excluding the Giant Tiger store closure loss, trading profit increased 10.6% and was 10.4% as a percentage of sales.

Net Assets Employed Net assets employed at January 31, 2013, decreased 7.5% to $291.9 million compared to $315.5 million at January 31, 2012, as summarized in the following table:

($ in millions at the end of the fiscal year)	2012	2011	2010
Property and equipment	**$ 190.8**	$ 196.1	$ 189.6
Inventory	**124.2**	131.3	126.2
Accounts receivable	**60.0**	66.6	61.1
Other assets	**70.0**	49.9	58.9
Liabilities	**(153.1)**	(128.4)	(104.9)
Net Assets Employed	**$ 291.9**	$ 315.5	$ 330.9

Property and equipment decreased compared to 2011 largely due to the Giant Tiger store closures. Capital expenditures for the year included new stores, store replacements and major store renovation projects, staff housing renovations and energy-efficient refrigeration upgrades.

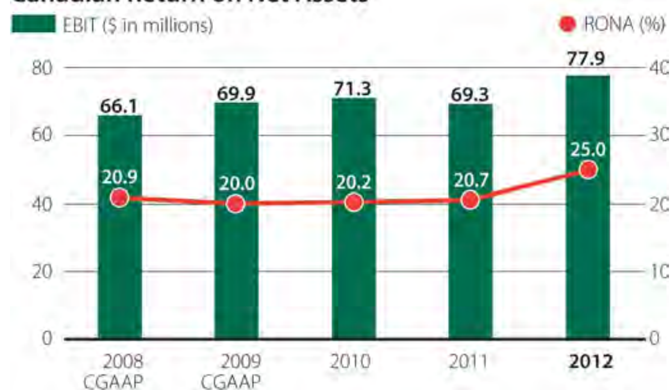
Inventory decreased due to the store closures, merchandise assortment reviews and a greater focus on inventory productivity. Average inventory levels in 2012 were $4.1 million or 3.1% lower than 2011 and $3.0 million or 2.3% lower than 2010 due to store closures and changes in merchandise assortments. Inventory turnover improved to 5.7 times from 5.5 times in 2011 and 5.2 times in 2010.

Accounts receivable decreased $6.6 million or 9.9% from 2011 and average accounts receivable were $0.6 million or 1.0% lower than 2011. The decrease in accounts receivable is due to lower customer demand for big-ticket merchandise, the timing of collections and a decrease in an insurance related accounts receivable resulting from stores destroyed by fire in 2011.

Other assets increased $20.1 million or 40.3% compared to last year and were up $11.1 million or 18.9% compared to 2010 largely due to an increase in cash, intangible assets and deferred tax assets. The increase in cash is due to deposits in-transit at year-end and higher cash balances to support our financial services business. Intangible assets increased compared to last year and 2010 largely due to investments in the development of a transportation management system and an upgrade of the Company's financial management system. Deferred tax assets have increased compared to last year mainly due to tax assets related to property and equipment and share-based compensation. Further information on deferred tax assets and deferred tax liabilities is provided in Note 9 to the consolidated financial statements.

Liabilities increased $24.7 million or 19.2% from 2011 and were up $48.2 million or 45.9% compared to 2010 primarily due to higher accounts payable and accrued liabilities, income tax payable and defined benefit plan obligations. Accounts payable and accrued liabilities increased due to higher trade accounts payable related to the timing of payments and higher accrued incentive plan expenses compared to 2010. Income tax payable increased $15.0 million over 2011 and $18.3 million over 2010 due to the conversion from an income trust to a share corporation and the timing of income tax installment payments. Further information on the Conversion to a Share Corporation is provided on page 8. The defined benefit plan obligation increased $0.8 million to $28.4 million compared to 2011 and was up $19.4 million compared to $9.0 million in 2010 largely due to a significant decrease in the discount rate used to calculate pension liabilities. Further information on post-employment benefits is provided in Note 12 to the consolidated financial statements.

Return on Net Assets The return on net assets employed for Canadian Operations improved to 25.0% from 20.7% in 2011 due to a 12.5% increase in EBIT and the impact of lower average net assets compared to last year as noted above.



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)	**2012**	2011	2010
Sales	**$ 471,728**	$ 470,932	$ 457,590
Same store sales % increase (decrease)	**(0.6)%**	2.3%	(0.2)%
Trading profit[(1)] (EBITDA)	**$ 27,273**	$ 28,133	$ 26,302
Earnings from operations[(1)] (EBIT)	**$ 19,259**	$ 20,236	$ 18,522
Return on net assets [(1)]	**12.1 %**	13.6%	12.6 %

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

Sales International sales increased 0.2% to $471.7 million compared to $470.9 million in 2011, and were up 3.1% compared to 2010 as food sales growth was largely offset by lower general merchandise sales. Same store sales decreased 0.6% compared to a 2.3% increase in 2011 and a 0.2% decrease in 2010. Food sales accounted for 87.1% (86.3% in 2011) of total sales with the balance comprised of general merchandise at 11.8% (12.6% in 2011) and other sales, which consist primarily of fuel sales and service charge revenues, at 1.1% (1.1% in 2011).

Food sales increased 1.0% from 2011 and were up 4.4% compared to 2010. Same store food sales were up 0.3% compared to a 2.9% increase in 2011. Quarterly same store food sales increases were 0.1%, 0.2%, 0.6% and 0.3%. Our CUL stores and PAW business were the primary contributors to the sales growth. CUL provided food sales growth throughout the year, building on the same store sales gains in 2011. The PAW business also delivered another year of sales growth as it continues to recapture market share after a significant sales decrease in 2010.

General merchandise sales decreased 6.1% from 2011 and were down 6.6% from 2010. On a same store basis, general merchandise sales were down 6.8% compared to a decrease of 1.8% in 2011. Quarterly same store sales were down 2.0%, 2.8% and 7.5% in the first three quarters and decreased 12.6% in the fourth quarter compared to a 7.1% increase in the fourth quarter last year. Lower discretionary spending due to a weak economic environment, high unemployment levels and increases in energy-related living expenses negatively impacted sales, particularly in electronics, transportation, furniture and seasonal merchandise. In Alaska, a decrease in the Permanent Fund Dividend ("PFD"), regional native corporation dividends, and claims settlement payments were also factors. The PFD paid to qualifying Alaskan residents decreased 25.2% to $878 compared to $1,174 last year and $1,281 in 2010.

Other revenues, which consist of fuel and service charge revenue, were up 3.3% from 2011 and were up 16.0% from 2010 primarily due to fuel inflation.

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

	2012	2011	2010
Food	**87.1%**	86.3%	85.9%
General merchandise	**11.8%**	12.6%	13.1%
Other	**1.1%**	1.1%	1.0%

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 the previously mentioned special payments, such as the Permanent Fund Dividend, which can result in greater sales volatility.

Same store sales

(% change)	**2012**	2011	2010
Food	**0.3 %**	2.9 %	(0.1)%
General merchandise	**(6.8)%**	(1.8)%	(1.0)%
Total sales	**(0.6)%**	2.3 %	(0.2)%

Gross Profit Gross profit dollars increased 0.4% reflecting sales growth and a slight improvement in gross profit rate from 2011. An increase in food gross profit rates, resulting in part from improved execution in perishable departments, was largely offset by higher markdowns to clear slow-moving general merchandise and prepare for the repositioning of merchandise assortments in select store locations.

Selling, operating and administrative Selling, operating and administrative expenses ("expenses") increased 1.5% over last year and were up 28 basis points as a percentage of sales. Higher employee medical insurance and utility costs were the leading factors contributing to the increase in expenses. These two factors combined increased $1.7 million or 9.1% compared to 2011 and were up $3.6 million or 21.0% over 2010. Partially offsetting these costs, were lower incentive plan expenses compared to last year.

Earnings from operations (EBIT) Earnings from operations decreased $1.0 million or 4.8% to $19.3 million compared to $20.2 million in 2011 as higher expenses were only partially offset by an increase in gross profit. Trading profit decreased $0.9 million or 3.1% to $27.3 million and was 5.8% as a percentage of sales compared to 6.0% in 2011.

Net Assets Employed International Operations net assets employed increased $24.4 million or 17.0% to $167.8 million compared to $143.4 million in 2011 and were up $19.8 million or 13.4% from 2010 as summarized in the following table:

Net Assets Employed

($ in millions at the end of the fiscal year)	**2012**	2011	2010
Property and equipment	**$ 83.3**	$ 73.9	$ 69.9
Inventory	**63.1**	54.5	50.7
Accounts receivable	**10.1**	9.9	9.1
Other assets	**50.2**	43.7	50.8
Liabilities	**(38.9)**	(38.6)	(32.5)
Total	**$ 167.8**	$ 143.4	$ 148.0

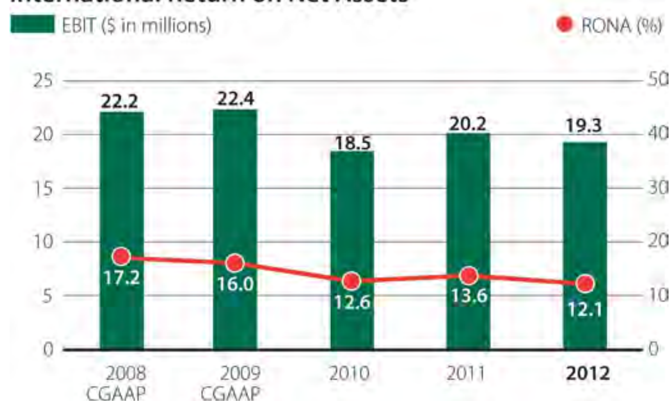
Property and equipment increased reflecting a store replacement, energy-efficient refrigeration upgrades, and the substantial completion of construction of a new Cost-U-Less store in Barbados that opened on February 23, 2013.

Inventories increased compared to last year and 2010 largely due to additional food inventory related to a focus on in-stock rates and the new store in Barbados. Commodity cost increases were also a factor. Average inventory levels in 2012 were $2.7 million or 4.8% higher than 2011 and up $4.4 million or 8.0% compared to 2010. Inventory turnover decreased to 6.0 times in 2012 compared to 6.2 times in 2011.

Other assets increased $6.5 million or 14.9% compared to last year largely due to higher cash balances at the end of the year and an increase in deferred tax assets.

Liabilities were consistent with 2011 but increased compared to 2010 due primarily to higher trade accounts payable.

Return on Net Assets The return on net assets employed for International Operations decreased to 12.1% from 13.6% in 2011 due to lower EBIT and higher average net assets employed as noted above.



Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

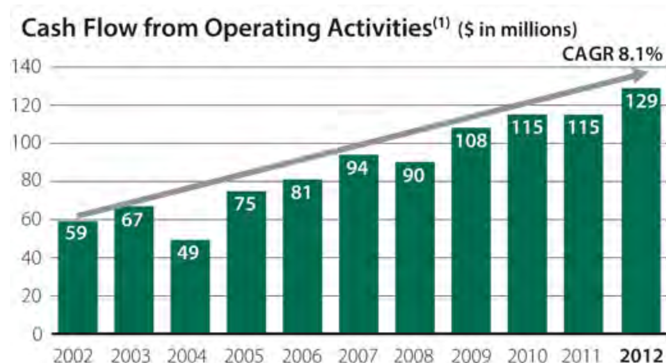
($ in thousands)	**2012**	2011	2010
Cash flows from (used in):			
Operating activities	**$ 128,992**	$ 115,469	$ 114,564
Investing activities	**$ (48,781)**	$ (45,948)	$ (34,124)
Financing activities	**$ (68,520)**	$ (73,768)	$ (76,487)
Net change in cash	**$ 11,691**	$ (4,247)	$ 3,953

Cash from operating activities Cash flow from operating activities increased 11.7% to $129.0 million. Changes in non-cash working capital positively impacted cash flow from operating activities by $10.8 million compared to a decrease in cash flow of $3.0 million in 2011. The change in non-cash working capital is largely due to a decrease in accounts receivable and an increase in accounts payable as noted in the Canadian and International net assets employed on pages 12 and 14 respectively.

The Company paid income taxes of $15.5 million compared to $6.2 million in 2011. Following the conversion to a share corporation on January 1, 2011 and the deferral of the payment of Canadian income taxes in the transition year in accordance with income tax legislation enacted November 21, 2011, the Company began paying Canadian income tax installments in 2012. The remaining balance of the accrued Canadian income taxes for 2012 of approximately $19 million will be paid in the first quarter of 2013. The Company expects its Canadian monthly tax installments to increase in 2013 based on a normalized level of taxable income and the recognition of a portion of the deferred taxable income from the transition year. Further information on the Conversion to a Share Corporation is provided on page 8.

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, and planned growth-related capital expenditures as well as anticipated dividends during 2013.

The compound annual growth rate ("CAGR") for cash flow from operating activities over the past 10 years is 8.1% as shown in the following graph:



(1) 2011 and 2012 are reported in accordance with IFRS. 2010 has been restated to IFRS. All other historical financial information was prepared in accordance with CGAAP and has not been restated to IFRS.

Cash used in investing activities Net cash used in investing activities was $48.8 million compared to $45.9 million in 2011. Net investing in Canadian Operations was $31.7 million ($34.3 million in 2011). A summary of the Canadian Operations investing activities is included in net assets employed on page 12. Net investing in International Operations was $17.1 million compared to $11.6 million in 2011. A summary of the International Operations investing activities is included in net assets employed on page 14.

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	
	2012	2011	**2012**	2011
Northern	**121**	123	**681,456**	690,921
NorthMart	**7**	7	**148,306**	148,306
Quickstop	**16**	15	**27,999**	26,566
Giant Tiger	**31**	36	**494,057**	577,432
AC Value Centers	**30**	30	**300,882**	295,742
Cost-U-Less	**12**	12	**336,138**	336,138
Other Formats	**6**	6	**45,716**	45,716
Total at year-end	**223**	229	**2,034,554**	2,120,821

In the Canadian Operations, a new QuickStop convenience store was opened in Rankin Inlet, Nunavut and a Giant Tiger store was opened in Swift Current, Saskatchewan. New Northern stores were opened in Taloyoak, Nunavut and Oxford House, Manitoba, replacing existing facilities and two Northern stores and six underperforming Giant Tiger stores were closed. Total selling square feet in Canada decreased to 1,374,647 from 1,466,054 in 2011.

In the International Operations, a new AC Value Center was opened in Emmonak, Alaska replacing an existing facility. International selling square feet increased to 659,907 from 654,767 in 2011.

Cash used in financing activities Cash used in financing activities was $68.5 million compared to $73.8 million in 2011. The decrease is mainly related to a change in amounts drawn on the loan facilities and the repayment of a US$3.9 million note payable in the International Operations last year. Further information on the loan facilities is provided in the Sources of Liquidity section below.

Shareholder Dividends / Unitholder Distributions The Company paid dividends of $50.3 million or $1.04 per share compared to $50.8 million or $1.05 per share paid in 2011, including the final distribution from the Fund. Excluding the final distribution from the Fund, the quarterly dividend increased 8.3% from 2011. In 2010, the last year under the income trust structure, the Fund paid distributions of $68.7 million or $1.42 per unit. The decrease in dividends in 2012 and 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 unithholders. 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	Dividends	Distributions
	2012	2011	2010
First Quarter	**$ 0.26**	$ 0.24	$ 0.34
Second Quarter	**0.26**	0.24	0.34
Third Quarter	**0.26**	0.24	0.34
Fourth Quarter	**0.26**	0.24	0.34
Special distribution	**—**	0.09	0.06
Total	**$ 1.04**	$ 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 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.

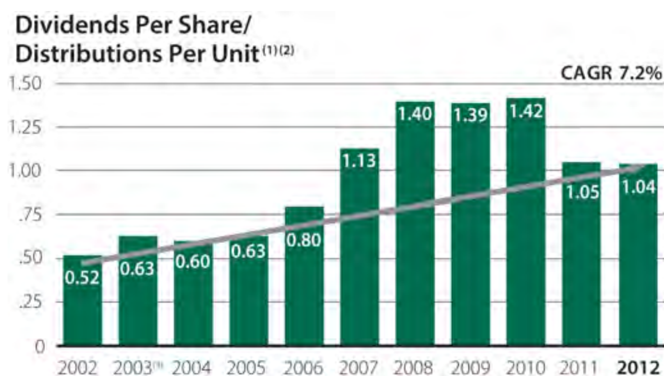
The determination to declare and make payable distributions from the Fund was subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees. The Fund's distribution policy was to make distributions to unitholders equal to the taxable income of the Fund. The taxable 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. 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 8). 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:

	2012	2011	2010
Dividends/Distributions	**$ 50,320**	$ 50,797	$ 68,700
Cash flow from operating activities	**$128,992**	$115,469	$114,564
Dividends/Distributions as a % of cash flow from operating activities	**39.0%**	44.0%	60.0%

The decrease in dividends as a percentage of cash flow from operating activities to 39.0% compared to 2010 is largely due to the conversion to a share corporation and the taxation of earnings in the Canadian Operations. The Canadian Operations began paying income tax installments in 2012 which has reduced cash flow from operating activities. The Company's income tax payments will increase in 2013 based on the payment of the remaining accrued income taxes for 2012 and higher Canadian monthly tax installments based on a normalized level of taxable income. Further information is provided under cash from operating activities on page 14.

The compound annual growth rate (CAGR) for dividends and distributions over the past 10 years is 7.2% 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 2002 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.

Subsequent event - dividends On March 14, 2013, the Board of Directors approved a quarterly dividend of $0.28 per share to shareholders of record on March 28, 2013, to be paid on April 15, 2013. This is an increase of $0.02 per share or 7.7% compared to the $0.26 per share quarterly dividend paid in 2012. On an annual basis, the Company anticipates paying dividends of approximately $1.12 per share compared to $1.04 per share in 2012.

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 further reductions in already low long-term interest rates, the Company recorded net actuarial losses on defined benefit pension plans of $2.6 million net of deferred income taxes in other comprehensive income compared to net actuarial losses of $15.3 million net of deferred income taxes in 2011. The charge to other comprehensive income was immediately recognized in retained earnings. The actuarial loss in 2012 was due to a decrease in the discount rate used to calculate pension liabilities from 4.5% in 2011 to 4.3% in 2012. The net actuarial loss in 2011 was due to a decrease in the discount rate from 5.8% in 2010 to 4.5% in 2011 and lower than expected return on pension plan assets.

In 2013, the Company will be required to contribute approximately $7.2 million to the defined benefit pension plan of which approximately $3.9 million of this obligation may be settled by the issuance of a letter of credit in accordance with pension legislation. The cash contribution to the pension plan is expected to be approximately $3.3 million in 2013 compared to $5.6 million in 2012. 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 $2.2 million to the defined contribution pension plan in 2013 compared to $2.0 million in 2012. Additional information regarding post-employment benefits is provided in Note 12 to the consolidated financial statements.

Sources of liquidity The Canadian Operations have available committed, extendible, revolving loan facilities of $170.0 million that mature on December 31, 2015. These facilities 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 in International Operations. These loan facilities bear a floating interest rate based on Banker's Acceptances' rates plus stamping fees or the Canadian prime interest rate. At January 31, 2013, the Company had drawn $52.5 million on these facilities (January 31, 2012 - $68.9 million).

At January 31, 2013, the Canadian Operations have outstanding US$70.0 million senior notes (January 31, 2012 - US$70.0 million) that mature on June 15, 2014. The senior notes are secured by a floating 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.

On October 25, 2012, the Company completed the refinancing of its US$20 million loan facility in the International Operations. The new, increased, committed, revolving loan facility provides the Company with a US$30 million revolving loan facility for working capital requirements and general business purposes. This facility, which matures October 31, 2015, is secured by certain accounts receivable and inventories of the International Operations and bears a floating interest rate based on LIBOR plus a spread. At January 31, 2013, the Company had drawn US$0.7 million on these facilities (January 31, 2012 - US$ NIL).

The Company's International Operations also have available committed, revolving loan facilities of US$52.0 million that mature on December 31, 2013. These facilities are secured by a floating 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, 2013, the Company had drawn US$40.0 million (January 31, 2012 - US $36.0 million) on these facilities. The Company does not anticipate any difficulty in securing financing to satisfy its maturing loan facilities however, economic conditions can change which may negatively impact the availability of credit, interest rates and the scope of financing covenants. 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 has increased to 16.7 times compared to 14.9 times in 2011.

Interest Costs and Coverage

	2012	2011	2010
Coverage ratio	**16.7**	14.9	14.8
EBIT ($ in millions)	**$ 97.1**	$ 89.3	$ 90.3
Interest ($ in millions)	**$ 5.8**	$ 6.0	$ 6.1

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, 2013, 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)	$163,354	$ 40,417	$122,937	$ —	$ —
Operating leases	135,887	23,490	36,637	27,028	48,732
Other liabilities [(1)]	12,944	7,437	5,507	—	—
Total	$312,185	$ 71,344	$165,081	$ 27,028	$ 48,732

(1) At year-end, the Company had additional long-term liabilities of $34.7 million which included other liabilities, 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 granted 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 food buying and distribution services to the stores. The Company's exclusivity right required 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 a result of the closure of six stores during 2012, the Company has fallen below the minimum number of stores required to maintain its exclusive right to open Giant Tiger stores in western Canada. The loss of exclusivity does not constitute an event of default under the Company's master franchise rights and will not prevent the Company from continuing to operate its existing stores or open new stores. 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.

Letters of Credit In the normal course of business, the Company issues standby letters of credit in connection with defined benefit pension plans, purchase orders and performance guarantees. The aggregate potential liability related to letters of credit is approximately $14 million (January 31, 2012 - $15 million).

Capital Structure The Company's capital management objectives are to deploy capital to provide an appropriate total return to shareholders while maintaining a capital structure that provides the flexibility to take advantage of growth opportunities, maintain existing assets, meet obligations and financial covenants 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 optimize efficiency through an appropriate balance of debt and equity. 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 $163.4 million in debt and $296.3 million in equity at the end of the year and a debt-to-equity ratio of 0.55:1 compared to 0.62:1 last year. The improvement in the debt-to-equity ratio is largely due to an increase in earnings and a reduction in the amount of debt outstanding at the end of the year as a result of positive cash flow.

Capital Structure

The capacity of the Company's capital structure is reflected in the preceding graph. Over the past five years, the Company's debt-to-equity ratio has improved from .78:1 to .55:1. Equity has increased $21.8 million or 8.0% to $296.3 million over the past five years and interest-bearing debt has decreased $49.7 million or 23.3% to $163.4 million compared to $213.0 million in 2008. During this same time frame, the Company has made capital expenditures of $224.1 million and has paid distributions and dividends of $304.8 million. 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 $12.5 million or 7.1% to $163.4 million compared to $175.9 million in 2011, and was down $29.2 million or 15.2% from $192.6 million in 2010. As summarized in the table below, the decrease in debt is due to lower amounts drawn on the Canadian Operations and International Operations loan facilities and the repayment of a US$3.9 million note payable in 2011. The Company has US$111.3 million in debt at January 31, 2013 (January 31, 2012 - US$107.2 million) that is exposed to changes in foreign exchange rates when translated into Canadian dollars. The exchange rate used to translate U.S. denominated debt into Canadian dollars at January 31, 2013 was 0.9992 compared to 1.0052 at January 31, 2012 and 1.0022 at January 31, 2011. The difference in exchange rate did not have a significant impact on the translation of U.S. denominated debt between 2010 and 2012. Average debt outstanding during the year excluding the foreign exchange impact decreased $13.6 million or 7.0% from 2011 and was down $34.1 million or 15.9% compared to 2010. The debt outstanding at the end of the fiscal year is summarized as follows:

($ in thousands at the end of the fiscal year)	**2012**	2011	2010
Senior notes	**$ 69,461**	$ 69,626	$ 69,199
Canadian revolving loan facilities	**52,499**	68,850	67,445
U.S. revolving loan facilities	**39,968**	36,187	50,110
Notes payable	**388**	659	4,850
Finance lease liabilities	**320**	570	992
Bank advances	**718**	—	—
Total	**$ 163,354**	$ 175,892	$ 192,596

Shareholder Equity The Company has an unlimited number of authorized shares and had issued and outstanding shares at January 31, 2013 of 48,388,721 (48,378,000 as at January 31, 2012). Further information on the Company's share 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 increased to $6.10 compared to $5.85 per share in 2011. Shareholders' equity increased $12.5 million or 4.4% compared to 2011 due to higher net earnings, partially offset by a $2.6 million charge to retained earnings for net actuarial losses on the Company's defined benefit pension plan and an increase in dividends to shareholders. 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					
2012	$365,517	$383,843	$377,664	$386,622	$1,513,646
2011	$346,262	$372,945	$378,359	$397,570	$1,495,136
Trading profit (EBITDA)					
2012	$ 29,884	$ 36,572	$ 35,748	$ 32,063	$ 134,267
2011	$ 28,387	$ 32,408	$ 34,476	$ 30,610	$ 125,881
Earnings from operations (EBIT)					
2012	$ 20,571	$ 27,361	$ 26,365	$ 22,821	$ 97,118
2011	$ 19,385	$ 23,408	$ 25,448	$ 21,068	$ 89,309
Net earnings					
2012	$ 13,553	$ 18,277	$ 17,487	$ 15,831	$ 65,148
2011	$ 12,425	$ 15,035	$ 17,000	$ 13,501	$ 57,961
Earnings per share-basic					
2012	$ 0.28	$ 0.38	$ 0.36	$ 0.33	$ 1.35
2011	$ 0.26	$ 0.31	$ 0.35	$ 0.28	$ 1.20
Earnings per share-diluted					
2012	$ 0.28	$ 0.38	$ 0.36	$ 0.32	$ 1.34
2011	$ 0.26	$ 0.31	$ 0.35	$ 0.27	$ 1.19

Fourth Quarter Highlights Fourth quarter consolidated sales decreased 2.8% to $386.6 million compared to $397.6 million in 2011 primarily due to weaker performance from general merchandise categories and the impact of previously announced store closures. Excluding the foreign exchange impact, sales decreased 1.9% and were down 1.2%[(1)] on a same store basis. Food sales[(1)] decreased 0.3% but were up 0.6% on a same store basis. General merchandise sales[(1)] decreased 7.3% and were down 6.8% on a same store basis.

Earnings from Operations increased 8.3% to $22.8 million compared to $21.1 million in the fourth quarter last year due to gross profit rate improvements and lower selling, operating and administrative expenses. The gross profit rate improvement is primarily due to the availability of special item buys, favourable product mix changes, and reduction in product waste within perishable food categories. Selling, operating and administrative expenses decreased 2.4% compared to last year due in part to lower incentive plan expenses in the International Operations and were up 8 basis points as a percentage to sales. Excluding the foreign exchange impact, earnings from operations increased 9.2% compared to last year.

Trading profit or earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 4.7% to $32.1 million compared to $30.6 million last year as gains within Canadian Operations more than offset a decrease in the International Operations.

(1) Excluding the foreign exchange impact.

Excluding the foreign exchange impact, trading profit increased $1.7 million or 5.5% and was 8.3% as a percentage to sales compared to 7.7% last year.

Interest expense decreased $0.5 million to $1.1 million due in part to the impact of lower average debt in the quarter and an increase in the capitalization of interest on construction projects.

Income tax expense was flat to last year as higher earnings in the Canadian Operations were partially offset by lower income tax rates and the impact of income earned across the various tax jurisdictions in the International Operations. The consolidated effective tax rate in the quarter was 27.2% compared to 30.6% last year.

Net earnings increased 17.3% to $15.8 million and diluted earnings per share increased to $0.32 compared to $0.27 per share last year largely due to earnings growth in the Canadian Operations and lower income tax rates.

The Company recorded an actuarial gain of $2.5 million, net of deferred income tax, in other comprehensive income resulting from an increase in the discount rate and a higher than expected return on pension plan assets in the quarter.

Working capital decreased $54.1 million or 32.2% compared to the fourth quarter last year largely due to the increase in the current portion of long-term debt. The increase in the current portion of long-term debt is due to the International Operations loan facilities that mature December 31, 2013. Excluding the impact of the maturing loan facilities, working capital decreased $14.1 million or 8.4% compared to last year largely due to an increase in accounts payable and income tax payable related to the timing of payments.

Cash flow from operating activities in the quarter decreased $1.5 million or 2.9% to $51.4 million from $52.9 million last year. The decrease is largely due to the change in non-cash working capital related to the change in accounts receivable and accounts payable in the quarter compared to the prior year.

Cash used for investing activities in the quarter decreased to $14.4 million compared to $17.1 million last year due to a difference in the timing of capital investments.

Cash used in financing activities in the quarter was $39.3 million compared to $42.8 million last year. The change in long-term debt in the quarter is largely due to the change in the amounts drawn on the Company's Canadian revolving loan facilities compared to last year. The Company paid dividends of $12.6 million, an increase of 8.4% compared to the fourth quarter 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*.

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, 2013.

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, 2013. There have been no changes in the internal controls over financial reporting during the quarter and for the year ended January 31, 2013 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

The Company's continued focus on merchandise productivity and operational excellence, driven by the *More Growth in Store* initiatives described in the strategy section, are expected to provide operating margin upside within remote store markets. Overall, consumer incomes and spending momentum is expected to be flat to 2012, depending on the degree of improvement within the natural resource and tourism sectors. The Company's Giant Tiger stores are expected to come under sales and gross margin pressure due to anticipated changes in the competitive environment from existing retailers and new entrants forecasted in 2013. Offsetting gains are expected from lower perishable product waste, improved general merchandise inventory productivity and the closure of under-performing stores in fiscal 2012.

Net capital expenditures for 2013 are expected to be approximately $50 million (2012 - $48.8 million) reflecting the opening and acquisition of new stores, store replacement projects, energy efficiency projects, and the final phase of a transportation management system. Actual expenditures depend upon the completion of negotiations and shipment of construction materials to remote locations and therefore, the actual amount and timing of expenditures can fluctuate as it has over the past few years.

Following the conversion to a share corporation on January 1, 2011 and the deferral of the payment of Canadian income taxes in the 2011 transition year in accordance with income tax legislation enacted November 21, 2011, the Company began paying Canadian income tax installments in 2012 which has reduced cash flow from operating activities. The Company will pay the remaining balance of the accrued income taxes for 2012 of approximately $19 million in the first quarter of 2013. The Company expects its Canadian monthly income tax installments to increase in 2013 based on a normalized level of taxable income in 2012 and the recognition of a portion of the deferred taxable income from the transition year. These income tax payments will reduce cash flow from operating activities in 2013.

The adoption of new accounting standards for defined benefit pension plans will result in the restatement of the 2012 comparative numbers in the 2013 consolidated financial statements. The Company expects these new standards will result in a decrease in 2012 restated net earnings of approximately $1.260 million. Further information on future accounting standards is provided on page 25.

RISK MANAGEMENT

The North West Company maintains an Enterprise Risk Management ("ERM") program which assists in identifying, evaluating and managing risks that may reasonably have an impact on the Company. An annual ERM assessment is completed to evaluate risks and the potential impact that the risks may have on the Company's ability to execute its strategies and achieve its objectives. The results of this assessment are presented to the Board of Directors who are accountable for providing oversight of the ERM program.

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:

Business Model The Company serves geographically diverse markets and sells a very wide range of products and services. Operational scale can be difficult to achieve and the complexity of the Company's business model is higher compared to more narrowly-focused or larger retailers. Management continuously assesses the strength of its customer value offer to ensure that specific market, product and service activities are attractive. Considerable attention is also given to streamlining processes to simplify work across the Company. To the extent the Company is not successful in developing and executing its strategies, it could have an adverse effect on the financial condition and performance of the Company.

Employee Development and Retention Attracting, 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 qualified 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. The Company's store stability initiative described on page 7 is focused on having all stores reach a targeted level of capability and stability. In addition to compensation programs and investments in staff housing 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.

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 and initiatives to recruit local residents into management positions and to incorporate community stakeholder advice into our business at all levels. 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, or is subject to punitive fees or operating restrictions, it could have an adverse effect on sales and financial performance.

Economic Environment External factors which affect customer demand and personal disposable income, and over which the Company exercises no influence, include government fiscal health, general economic growth, changes in commodity prices, inflation, unemployment rates, personal debt levels and levels of personal disposable income, interest rates and foreign exchange rates. 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 decrease in government income transfer payments to individuals, a recession, or a significant and prolonged decline in consumer spending could have an adverse effect on the financial condition and results of operations. Furthermore, customers in many of the Company's markets benefit from product cost subsidies through programs such as Nutrition North Canada ("NNC"), the U.S. Supplemental Nutrition Assistance Program ("SNAP") and the by-pass mail system in Alaska. A deterioration in government fiscal health could result in a reduction in financial support for these programs which would have a significant impact on the price of merchandise and consumer demand. 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 segments derive most of their 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 NNC and SNAP also contribute to lower living costs for eligible customers. A major source of employment income is generated from local government and spending on public infrastructure. This includes housing, schools, health care facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year-to-year depending on the degree of infrastructure activity and a community's overall 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. 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, an increase in competition, both local and outside the community, or the introduction of new products and services in the Company's markets could negatively impact sales and financial performance.

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. To the extent that escalating fuel and utility costs cannot be offset by alternative energy sources, energy conservation practices or offsetting productivity gains, they may result in higher retail prices or lower operating margins which may affect the Company's financial performance. In this scenario, consumer retail spending will also be affected by higher household energy-related expenses.

Information Technology The Company relies on information technology ("IT") to support the current and future requirements of the business. 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 2013, the Company will implement 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.

Food Safety The Company is exposed to risks associated with food safety and product handling. Food sales represent approximately 77% 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 and reputation 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.

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.

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, 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.

Vendor and Third Party Service Partner Management The Company relies on a broad base of manufacturers, suppliers, logistics service providers and operators of distribution facilities 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.

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 operating, training, 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.

Management of Inventory Success in the retail industry depends on being able to select the right merchandise, in the correct quantities 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.

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 The Company's operations are exposed to extreme weather conditions ranging from blizzards to hurricanes, typhoons, cyclones, and tsunamis which can cause loss of life, damage to or destruction of key stores and facilities, or temporary business disruptions. The stores located in the South Pacific, Caribbean and coastal areas of Alaska are also at risk of earthquakes which can result in loss of life and destruction of assets. Such losses could have an adverse effect on the financial condition and performance of the Company. Global warming conditions would also have a more pronounced effect, both positive and negative, on the Company's most northern latitude stores.

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. 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.

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. The Company makes cash contributions to the pension plan as required and also uses letters of credit to satisfy a portion of its funding obligations. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan and added a defined contribution plan. 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. Further information on post-employment benefits is provided on page 16 and in Note 12 to the consolidated financial statements.

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 Whistleblower policy that provides direct access to members of the Board of Directors. 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, especially in less developed markets, could have an adverse effect on the financial condition and results of operations of the Company.

Litigation In the normal course of business, the Company is subject to a number of claims and legal actions that may be made by its customers, suppliers and others. If management believes the Company has liability for such claim or legal action, provisions are made in the Company's financial statements. If management's assessment of liability or the amount of any such claim is incorrect, or the Company is unsuccessful in defending its position, any difference between the judgment or penalty amount and the provision would become an expense or a recovery in the period such claim was resolved.

Financial Services Business The financial services operations are a part of the business of the Company. There is a risk of customer defaults on credit accounts, particularly following deterioration in the economy. The credit card industry is highly competitive and other credit card issuers may seek to expand or to enter the Company's markets. New federal, provincial and state laws, and amendments to existing laws, may be enacted to further regulate the credit card industry or to reduce finance charges or other fees or charges applicable to credit card accounts. Deterioration in the financial services business could have an adverse effect on the financial condition or performance of the Company.

Dependence on Key Facilities There are six major distribution centres which are located in Winnipeg, Manitoba; Anchorage, Alaska; San Leandro, California; Port of Tacoma, Washington; and third party managed facilities in Edmonton, Alberta and Miami, Florida. In addition, the Company's Canadian Operations support office is located in Winnipeg, Manitoba and the International Operations has support offices in Anchorage, Alaska and Bellevue, Washington. A serious disruption at any of these facilities or those of any of the corporate alliance partners due to fire, inclement weather or otherwise could have a material adverse effect on the financial condition or performance of the Company.

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. Further information on the Company's financial instruments and associated risks are provided in Note 14 to the consolidated financial statements.

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 planned growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2013, the Company had undrawn committed revolving loan facilities available of $144.1 million (January 31, 2012 - $126.4 million).

The Company's International Operations has a US$52 million loan facility that matures December 31, 2013. The Company does not anticipate any difficulty in refinancing this loan facility however, global economic conditions can change which may negatively impact the availability of credit, interest rates and covenants for companies seeking to refinance debt. To the extent that the Company cannot meet its obligations or refinance its debt when it comes due, or can only do so 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 as described in the Sources of Liquidity section on page 16. At January 31, 2013, the Company had US$111.3 million in U.S. denominated debt compared to US$107.2 million at January 31, 2012. Further information on the impact of foreign exchange rates on the translation of U.S. denominated debt is provided in the Capital Structure section on page 18.

The Company is also exposed to currency risk relating to the translation of International Operations earnings from U.S. dollars to Canadian dollars. In 2012, the average exchange rate used to translate U.S. denominated earnings from the International Operations was relatively flat at 0.998 compared to 0.991 last year. The Canadian dollar's depreciation versus the U.S. dollar in 2011 positively impacted consolidated net earnings by $0.1 million. In 2011, the average exchange rate of 0.991 was 3.4% lower than the 1.026 average exchange rate in 2010 which decreased 2011 consolidated net earnings by $0.4 million compared to 2010.

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. Additional information on the valuation of accounts receivable is provided in Note 5 and the credit risk section in Note 14 to the consolidated financial statements.

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 defined 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, expected long-term rate of return on plan assets, 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, 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, 2013 on a portfolio of Corporate AA bonds with terms to maturity that, on average, matches the terms of the defined benefit plan obligations. The discount rates used to measure the benefit plan obligations for fiscal 2012 and 2011 were 4.3% and 4.5% 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 2012 and 2011 was 6.5%. Management assumed the rate of compensation increase for fiscal 2012 and 2011 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 2012 and determined that the recoverable amount of the International Operations operating segment exceeded its carrying value. No goodwill impairment was identified and management considers any reasonably foreseeable changes in key assumptions unlikely to produce a goodwill impairment.

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.

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.

Consolidated Financial Statements The International Accounting Standards Board ("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. This standard is not expected to have a significant impact on the consolidated financial statements.

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. The adoption of IFRS 11 is not expected to have a significant impact on the consolidated financial statements.

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. This standard is not expected to have a significant impact on the consolidated financial statements.

Employee benefits The revised IAS 19, *Employee Benefits* issued by the IASB eliminates the option to defer the recognition of actuarial gains and losses on defined benefit plans. It amends the calculation of plan assets and benefit obligations, streamlines the presentation of changes in defined benefit plans and requires enhanced disclosure. The requirement to calculate the expected return on plan assets with the interest rate used to calculate the defined benefit plan obligation is the most significant for the Company. The Company will adopt this standard for its fiscal year beginning February 1, 2013. The implementation of this standard in the Company's 2013 financial statements will require the restatement of the 2012 comparative numbers with an estimated decrease in net earnings of $1.260 million comprised of an increase to interest expense of $1.170 million, an increase to selling, operating and administrative expenses of $0.550 million and a deferred tax recovery of $0.460 million.

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. The Company is currently assessing the impact of changes to this standard.

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. This standard is not expected to have a significant impact on the consolidated financial statements.

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. This standard is not expected to have a significant impact on the consolidated financial statements.

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. These amendments are effective for the Company's financial years beginning February 1, 2014 and February 1, 2013 respectively. These standards are not expected to have a significant impact on the consolidated financial statements.

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)	**2012**	2011	2010
Net earnings	**$ 65,148**	$ 57,961	$ 69,656
Add:			
Amortization	**37,149**	36,572	35,492
Interest expense	**5,809**	6,026	6,077
Income taxes	**26,161**	25,322	14,539
Trading profit (EBITDA)	**$ 134,267**	$ 125,881	$ 125,764

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)	**2012**	2011	2010
Net earnings	**$ 65,148**	$ 57,961	$ 69,656
Add:			
Interest expense	**5,809**	6,026	6,077
Income taxes	**26,161**	25,322	14,539
Earnings from operations (EBIT)	**$ 97,118**	$ 89,309	$ 90,272

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)	**2012**	2011	2010
Total assets	**$ 651.4**	$ 626.9	$ 616.6
Less:			
Current liabilities	**(149.8)**	(127.4)	(117.1)
Other long-term liabilities	**(42.0)**	(39.9)	(20.4)
Net Assets Employed	**$ 459.6**	$ 459.6	$ 479.1

(4) Return on Average 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 shareholders' 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 shareholders' 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 2012 year which ended January 31, 2013 had 366 days of operations as a result of February 29th. 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.

Eleven-Year Financial Summary

Fiscal Year[1] ($ in thousands)	**IFRS [2] 2012**	IFRS [2] 2011	IFRS [2] 2010	2009	2008	2007
Consolidated Statements of Earnings						
Sales - Canadian Operations	**$1,043,050**	$1,028,396	$ 978,662	$ 921,621	$ 899,263	$ 852,773
Sales - International Operations	**470,596**	466,740	469,442	522,745	493,371	211,717
Sales - Total	**1,513,646**	1,495,136	1,448,104	1,444,366	1,392,634	1,064,490
Trading profit (EBITDA)[3] - Canadian Operations	**107,060**	97,998	98,781	96,599	90,606	87,410
Trading profit (EBITDA)[3] - International Operations	**27,207**	27,883	26,983	33,675	31,651	19,147
Trading profit (EBITDA)[3] - Total Operations	**134,267**	125,881	125,764	130,274	122,257	106,557
Amortization - Canadian Operations	**29,155**	28,745	27,511	26,727	24,501	22,634
Amortization - International Operations	**7,994**	7,827	7,981	8,423	7,553	4,316
Amortization - Total	**37,149**	36,572	35,492	35,150	32,054	26,950
Interest	**5,809**	6,026	6,077	5,470	8,307	7,465
Income tax provision	**26,161**	25,322	14,539	7,841	6,518	9,151
Net earnings	**65,148**	57,961	69,656	81,813	75,378	62,991
Cash flow from operating activities	**128,992**	115,469	114,564	107,973	90,178	93,591
Dividends/distributions paid during the year	**50,320**	50,797	68,700	67,245	67,730	54,667
Capital expenditures	**51,133**	46,376	35,225	45,294	46,118	44,409
Net change in cash	**11,691**	(4,247)	3,953	1,548	3,998	(368)
Consolidated Balance Sheets						
Current assets	**$ 303,896**	$ 295,836	$ 284,789	$ 285,843	$ 285,088	$ 254,061
Property and equipment	**274,027**	270,370	259,583	258,928	248,856	223,397
Other assets, intangible assets and goodwill	**60,567**	53,289	55,199	73,177	68,632	50,492
Deferred tax assets	**12,904**	7,422	17,017	5,852	6,597	1,720
Current liabilities	**190,184**	128,002	185,377	171,946	172,216	134,899
Long-term debt and other liabilities	**164,960**	215,206	144,736	161,928	162,547	138,470
Equity	**296,250**	283,709	286,475	289,926	274,410	256,301
Consolidated Dollar Per Share/Unit ($)[5]						
Net earnings - basic	**$ 1.35**	$ 1.20	$ 1.45	$ 1.71	$ 1.58	$ 1.32
Net earnings - diluted	**1.34**	1.19	1.44	1.69	1.56	1.31
Trading profit[3],[4]	**2.78**	2.60	2.61	2.73	2.56	2.24
Cash flow from operating activities[4]	**2.67**	2.39	2.38	2.26	1.89	1.96
Dividends/distributions paid during the year[4]	**1.04**	1.05	1.42	1.39	1.40	1.13
Equity at end of fiscal year (basic shares/units outstanding)	**6.12**	5.86	5.92	6.04	5.75	5.37
Market price at January 31	**23.14**	19.40	21.09	17.94	16.14	18.42
Statistics at Year End						
Number of stores - Canadian	**177**	183	184	180	178	176
Number of stores - International	**46**	46	46	46	43	44
Selling square feet (000's) end of year - Canadian Stores	**1,375**	1,466	1,445	1,423	1,396	1,368
Selling square feet (000's) end of year - International Stores	**660**	655	654	653	617	639
Sales per average selling square foot - Canadian	**$ 734**	$ 702	$ 682	$ 654	$ 651	$ 657
Sales per average selling square foot - International	**$ 716**	$ 713	$ 718	$ 752	$ 723	$ 410
Number of employees - Canadian Operations	**4,768**	5,233	5,301	5,358	5,408	5,359
Number of employees - International Operations	**1,568**	1,668	1,601	1,545	1,339	1,502
Average shares/units outstanding (000's)	**48,384**	48,378	48,180	47,799	47,718	47,649
Shares/Units outstanding at end of fiscal year (000's)	**48,389**	48,378	48,378	48,017	47,722	47,701
Shares/Units traded during the year (000's)	**13,539**	22,418	24,814	20,080	16,402	17,330
Financial Ratios						
Trading profit[3] (%)	**8.9**	8.4	8.7	9.0	8.8	10.0
Earnings from operations[3] (EBIT) (%)	**6.4**	6.0	6.2	6.6	6.5	7.5
Total return on net assets[3] (%)	**20.7**	18.5	17.9	18.7	19.8	21.0
Return on average equity[3] (%)	**22.5**	20.1	24.1	29.3	28.6	24.9
Debt-to-equity	**.55:1**	.62:1	.67:1	.72:1	.78:1	.62:1
Dividends/distributions as % of cash flow from operating activities	**39.0**	44.0	60.0	62.3	75.1	58.4
Inventory turnover (times)	**5.8**	5.7	5.6	5.6	5.8	5.3

(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 2012 and 2011 are reported in accordance with IFRS. 2010 data has been restated to IFRS. All other financial information is presented in accordance with CGAAP and has not been restated to IFRS.

Fiscal Year[1] ($ in thousands)	2006	2005	2004	2003	2002
Consolidated Statements of Earnings					
Sales - Canadian Operations	$ 769,633	$ 689,340	$ 629,822	$ 615,661	$ 565,747
Sales - International Operations	175,291	160,313	158,871	167,059	184,012
Sales - Total	944,924	849,653	788,693	782,720	749,759
Trading profit (EBITDA)[3] - Canadian Operations	81,730	70,561	62,629	57,663	59,163
Trading profit (EBITDA)[3] - International Operations	14,639	14,941	13,977	15,163	13,108
Trading profit (EBITDA)[3] - Total Operations	96,369	85,502	76,606	72,826	72,271
Amortization - Canadian Operations	22,248	21,103	19,977	18,413	18,976
Amortization - International Operations	3,924	3,910	3,928	3,988	3,696
Amortization - Total	26,172	25,013	23,905	22,401	22,672
Interest	6,844	6,120	5,761	6,299	6,681
Income tax provision	9,693	11,479	9,675	8,396	8,449
Net earnings	53,660	42,890	37,265	35,730	34,469
Cash flow from operating activities	81,486	75,289	48,925	66,780	59,360
Dividends/distributions paid during the year	38,702	30,317	29,105	30,639	25,157
Capital expenditures	30,136	24,833	22,323	33,273	20,128
Net change in cash	212	10,450	(5,189)	6,176	475
Consolidated Balance Sheets					
Current assets	$ 226,164	$ 218,742	$ 208,188	$ 196,830	$ 209,900
Property and equipment	189,599	182,108	186,104	192,395	188,194
Other assets, intangible assets and goodwill	19,690	17,306	12,253	12,153	10,775
Deferred tax assets	6,416	5,693	7,932	8,222	9,322
Current liabilities	122,783	95,467	88,284	83,140	91,995
Long-term debt and other liabilities	67,056	85,809	89,908	97,982	106,812
Equity	252,030	242,573	236,285	228,478	219,384
Consolidated Dollar Per Share/Unit ($)[5]					
Net earnings - basic	$ 1.13	$ 0.90	$ 0.78	$ 0.75	$ 0.72
Net earnings - diluted	1.12	0.89	0.77	0.74	0.71
Trading profit[3],[4]	2.03	1.79	1.60	1.52	1.50
Cash flow from operating activities[4]	1.71	1.58	1.02	1.40	1.24
Dividends/distributions paid during the year[4]	0.80	0.63	0.60	0.63	0.52
Equity at end of fiscal year (basic shares/units outstanding)	5.29	5.11	4.95	4.78	4.59
Market price at January 31	16.41	12.50	10.22	7.88	6.90
Statistics at Year End					
Number of stores - Canadian	168	164	159	156	154
Number of stores - International	32	27	25	25	25
Selling square feet (000's) end of year - Canadian Stores	1,226	1,157	1,093	1,106	1,070
Selling square feet (000's) end of year - International Stores	311	272	255	254	245
Sales per average selling square foot - Canadian	$ 646	$ 613	$ 573	$ 566	$ 534
Sales per average selling square foot - International	$ 601	$ 608	$ 624	$ 669	$ 752
Number of employees - Canadian Operations	5,833	5,175	4,830	4,552	4,270
Number of employees - International Operations	806	732	692	736	657
Average shares/units outstanding (000's)	47,561	47,694	47,754	47,820	48,021
Shares/Units outstanding at end of fiscal year (000's)	47,625	47,463	47,700	47,799	47,844
Shares/Units traded during the year (000's)	13,167	6,956	7,393	7,207	7,617
Financial Ratios					
Trading profit[3] (%)	10.2	10.1	9.7	9.3	9.6
Earnings from operations [3] (EBIT) (%)	7.4	7.1	6.7	6.4	6.6
Total return on net assets[3] (%)	19.7	16.6	14.8	14.1	13.4
Return on average equity[3] (%)	21.7	18.0	16.2	16.0	15.8
Debt-to-equity	.43:1	.46:1	.51:1	.56:1	.62:1
Dividends/distributions as % of cash flow from operating activities	47.5	40.3	59.5	46.0	42.4
Inventory turnover (times)	5.1	4.6	4.2	4.1	3.7

(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. is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements and all other information in the annual 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 8, 2013

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, 2013 and January 31, 2012 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years ended January 31, 2013 and January 31, 2012, 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 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, 2013 and January 31, 2012 and their financial performance and their cash flows for the years ended January 31, 2013 and January 31, 2012 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

April 8, 2013

Consolidated Balance Sheets

($ in thousands)	**January 31, 2013**	January 31, 2012
CURRENT ASSETS		
Cash	**$ 38,675**	$ 26,984
Accounts receivable (Note 5)	**70,040**	76,539
Inventories (Note 6)	**187,200**	186,124
Prepaid expenses	**7,981**	6,189
	303,896	295,836
NON-CURRENT ASSETS		
Property and equipment (Note 7)	**274,027**	270,370
Goodwill (Note 8)	**26,162**	26,319
Intangible assets (Note 8)	**20,136**	14,620
Deferred tax assets (Note 9)	**12,904**	7,422
Other assets (Note 10)	**14,269**	12,350
	347,498	331,081
TOTAL ASSETS	**$ 651,394**	$ 626,917
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 130,501**	$ 122,349
Current portion of long-term debt (Note 11)	**40,417**	629
Income tax payable	**19,266**	5,024
	190,184	128,002
NON-CURRENT LIABILITIES		
Long-term debt (Note 11)	**122,937**	175,263
Defined benefit plan obligation (Note 12)	**28,431**	27,616
Deferred tax liabilities (Note 9)	**2,026**	2,440
Other long-term liabilities	**11,566**	9,887
	164,960	215,206
TOTAL LIABILITIES	**355,144**	343,208
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	**165,358**	165,133
Contributed surplus	**3,485**	3,180
Retained earnings	**128,224**	115,991
Accumulated other comprehensive income	**(817)**	(595)
TOTAL EQUITY	**296,250**	283,709
TOTAL LIABILITIES & EQUITY	**$ 651,394**	$ 626,917

See accompanying notes to consolidated financial statements

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, 2013**	Year Ended January 31, 2012
SALES	**$ 1,513,646**	$ 1,495,136
Cost of sales	**(1,068,940)**	(1,067,153)
Gross profit	**444,706**	427,983
Selling, operating and administrative expenses (Notes 16, 17)	**(347,588)**	(338,674)
Earnings from operations	**97,118**	89,309
Interest expense (Note 18)	**(5,809)**	(6,026)
Earnings before income taxes	**91,309**	83,283
Income taxes (Note 9)	**(26,161)**	(25,322)
NET EARNINGS FOR THE YEAR	**$ 65,148**	$ 57,961
NET EARNINGS PER SHARE (Note 20)		
Basic	**$ 1.35**	$ 1.20
Diluted	**$ 1.34**	$ 1.19
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)		
Basic	**48,384**	48,378
Diluted	**48,579**	48,525

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

($ in thousands)	**Year Ended January 31, 2013**	Year Ended January 31, 2012
NET EARNINGS FOR THE YEAR	**$ 65,148**	$ 57,961
Other comprehensive income/(expense):		
Exchange differences on translation of foreign controlled subsidiaries, net of tax	**(222)**	293
Actuarial losses on defined benefit plans, net of tax (Note 12)	**(2,595)**	(15,266)
Total other comprehensive income, net of tax	**(2,817)**	(14,973)
COMPREHENSIVE INCOME FOR THE YEAR	**$ 62,331**	$ 42,988

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

($ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total
Balance at January 31, 2012	$ 165,133	$ 3,180	$ 115,991	$ (595)	$ 283,709
Net earnings for the year	—	—	65,148	—	65,148
Other comprehensive income	—	—	(2,595)	(222)	(2,817)
Comprehensive income	—	—	62,553	(222)	62,331
Equity settled share-based payments	—	471	—	—	471
Dividends (Note 19)	—	—	(50,320)	—	(50,320)
Issuance of common shares	225	(166)	—	—	59
	225	305	(50,320)	—	(49,790)
Balance at January 31, 2013	**$165,358**	**$ 3,485**	**$128,224**	**$ (817)**	**$296,250**
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

(1) Accumulated Other Comprehensive Income

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

($ in thousands)	**Year Ended January 31, 2013**	Year Ended January 31, 2012
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings for the year	**$ 65,148**	$ 57,961
Adjustments for:		
Amortization	**37,149**	36,572
Provision for income taxes (Note 9)	**26,161**	25,322
Interest expense (Note 18)	**5,809**	6,026
Equity settled share option expense (Note 13)	**471**	689
Taxes paid	**(15,483)**	(6,195)
(Gain)/Loss on disposal of property and equipment	**1,978**	438
	121,233	120,813
Change in non-cash working capital	**10,764**	(2,989)
Change in other non-cash items	**(3,005)**	(2,355)
Cash from operating activities	**128,992**	115,469
Investing activities		
Purchase of property and equipment (Note 7)	**(42,236)**	(45,565)
Intangible asset additions (Note 8)	**(8,897)**	(811)
Proceeds from disposal of property and equipment	**2,352**	428
Cash from investing activities	**(48,781)**	(45,948)
Financing activities		
Decrease in long-term debt (Note 11)	**(12,285)**	(13,360)
Repayments of long-term debt	**—**	(3,676)
Dividends / distributions (Note 19)	**(50,320)**	(50,797)
Interest paid	**(5,974)**	(5,935)
Issuance of common shares	**59**	—
Cash from financing activities	**(68,520)**	(73,768)
NET CHANGE IN CASH	**11,691**	(4,247)
Cash, beginning of year	**26,984**	31,231
CASH, END OF YEAR	**$ 38,675**	$ 26,984

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
JANUARY 31, 2013 AND 2012

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.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on April 8, 2013.

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).

(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 from the dates assets are available for use 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 and adjusted if appropriate. 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.

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, except an impairment loss related to goodwill, 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 statements 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 finite 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. This asset is not amortized but instead is 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 is an equity settled share-based payment plan. The fair value of this plan was determined using an option pricing model. The grant date fair values of this benefit is 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 Director 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. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects to settle the carrying amount of its assets and liabilities. 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 either a defined benefit or defined contribution pension plans 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 high quality 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 An undiscounted 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. 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 and Deferred Share Unit Plan.

(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:

- Allowance for doubtful accounts (Notes 5, 14)
- Inventories (Note 6)
- Impairment of assets (Note 7)
- Goodwill and indefinite life intangible asset impairment (Note 8)
- Income taxes (Note 9)
- Defined benefit pension plan obligations (Note 12)

(U) Share capital Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(V) New Standards Implemented The Company adopted the amendments to IFRS listed below effective February 1, 2012, as required by the IASB. These amendments had no material impact on the Company's results from operations or financial condition.

Financial Instruments: Disclosures The IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures* to expand the disclosure requirements for transfers of financial assets. The amendments help financial statement users evaluate financial risks that may be associated with these transfers. The Company's capital management activities do not involve the transfer of financial assets.

Income Taxes The IASB 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 have any investment property measured at fair value.

(W) 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, 2013, 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.

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. This standard is not expected to have a significant impact on the consolidated financial statements.

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 venture's assets, liabilities, revenues and expenses. The adoption of IFRS 11 is not expected to have a significant impact on the consolidated financial statements.

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. This standard is not expected to have a significant impact on the consolidated financial statements.

Employee benefits The revised IAS 19, *Employee Benefits* issued by the IASB eliminates the option to defer the recognition of actuarial gains and losses on defined benefit plans. It amends the calculation of plan assets and benefit obligations, streamlines the presentation of changes in defined benefit plans and requires enhanced disclosure. The requirement to calculate the expected return on plan assets with the interest rate used to calculate the defined benefit plan obligation is the most significant for the Company. The Company will adopt this standard for its fiscal year beginning February 1, 2013. The implementation of this standard in the Company's 2013 financial statements will require restatement of its 2012 comparative numbers with an estimated decrease in net earnings of $1,260 comprised of an increase to interest expense of $1,170, an increase to selling, operating and administrative expenses of $550 and a deferred tax recovery of $460.

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. The Company is currently assessing the impact of changes to this standard.

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. This standard is not expected to have a significant impact on the consolidated financial statements.

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. This standard is not expected to have a significant impact on the consolidated financial statements.

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. These amendments are effective for the Company's financial years beginning February 1, 2014 and February 1, 2013 respectively. These standards are not expected to have a significant impact on the consolidated financial statements.

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, 2013	January 31, 2012
Sales		
Canada	**$ 1,043,050**	$ 1,028,396
International	**470,596**	466,740
Consolidated	**$ 1,513,646**	$ 1,495,136
Earnings before amortization, interest and income taxes		
Canada	**$ 107,060**	$ 97,998
International	**27,207**	27,883
Consolidated	**$ 134,267**	$ 125,881
Earnings from operations		
Canada	**$ 77,905**	$ 69,253
International	**19,213**	20,056
Consolidated	**$ 97,118**	$ 89,309

	January 31, 2013	January 31, 2012
Assets		
Canada	**$ 444,848**	$ 443,956
International	**206,546**	182,961
Consolidated	**$ 651,394**	$ 626,917

International total assets includes goodwill of $26,162 (January 31, 2012 - $26,319).

Supplemental information

Year Ended	January 31, 2013		January 31, 2012	
	Canada	**Int'l**	Canada	Int'l
Expenditure on property and equipment	**$ 25,128**	**$ 17,108**	$ 33,952	$ 11,613
Amortization	**$ 29,155**	**$ 7,994**	$ 28,745	$ 7,827

5. ACCOUNTS RECEIVABLE

	January 31, 2013	January 31, 2012
Current:		
Trade accounts receivable	**$ 72,162**	$ 76,349
Corporate and other accounts receivable	**11,920**	13,796
Less: allowance for doubtful accounts	**(14,042)**	(13,606)
	$ 70,040	$ 76,539
Non-current:		
Long-term receivable (Note 10)	**$ 2,626**	$ 2,507
	$ 72,666	$ 79,046

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, 2013	January 31, 2012
Current:		
Balance, beginning of year	**$ (13,606)**	$ (13,338)
Net charge	**(7,606)**	(7,748)
Written off	**7,170**	7,480
Balance, end of year	**$ (14,042)**	$ (13,606)

6. INVENTORIES

Retail inventories are valued at the lower of cost and net realizable value. Valuing retail inventories requires the Company to use estimates related to: discount factors used to convert inventory to cost; future retail sales prices and reductions; and inventory losses during periods between the last physical count and the balance sheet date. Included in inventories recognized as an expense for the year ended January 31, 2013, the Company recorded $1,648 (January 31, 2012 - $1,851) 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, 2013 or 2012.

7. PROPERTY & EQUIPMENT

January 31, 2013	Land	Buildings	Leasehold improvements	Fixtures & equipment	Computer equipment	Construction in process	Total
Cost							
Balance, beginning of year	$ 12,179	$ 301,354	$ 41,831	$ 211,549	$ 61,667	$ 17,162	$ 645,742
Additions	—	21,847	954	15,592	1,738	2,105	42,236
Disposals	(8)	(928)	(4,062)	(3,146)	(48)	—	(8,192)
Effect of movements in foreign exchange	(27)	(415)	(64)	(268)	(46)	(22)	(842)
Total January 31, 2013	$ 12,144	$ 321,858	$ 38,659	$ 223,727	$ 63,311	$ 19,245	$ 678,944
Accumulated amortization							
Balance, beginning of year	$ —	$ 158,017	$ 20,348	$ 145,054	$ 51,953	$ —	$ 375,372
Amortization expense	—	14,885	3,003	12,078	3,855	—	33,821
Disposals	—	(693)	(1,217)	(1,925)	(28)	—	(3,863)
Effect of movements in foreign exchange	—	(158)	(35)	(183)	(37)	—	(413)
Total January 31, 2013	$ —	$ 172,051	$ 22,099	$ 155,024	$ 55,743	$ —	$ 404,917
Net book value January 31, 2013	**$ 12,144**	**$ 149,807**	**$ 16,560**	**$ 68,703**	**$ 7,568**	**$ 19,245**	**$ 274,027**

January 31, 2012	Land	Buildings	Leasehold improvements	Fixtures & equipment	Computer equipment	Construction in process	Total
Cost							
Balance, beginning of year	$ 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							
Balance, beginning of year	$ —	$ 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**

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 3.49% and 3.21% for the years ended January 31, 2013 and 2012 respectively. Interest capitalized included in additions amounted to $506 (January 31, 2012 - $161). Accumulated interest capitalized included in the cost total above amounted to $697 (January 31, 2012 - $191).

8. GOODWILL & INTANGIBLE ASSETS

Goodwill

	January 31, 2013	January 31, 2012
Balance at beginning of year	**$ 26,319**	$ 26,241
Effect of movements in foreign exchange	**(157)**	78
Balance at end of year	**$ 26,162**	$ 26,319

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 10.9% (January 31, 2012 - 11.1%), which equates to a pre-tax rate of approximately 14.5% (January 31, 2012 - 14.9%). No impairment has been identified on goodwill, and management considers reasonably foreseeable changes in key assumptions are unlikely to produce a goodwill impairment.

Intangible assets

January 31, 2013	Software	Cost-U-Less banner	Non-compete agreements	Total
Balance, beginning of year	$ 15,868	$ 7,027	$ 8,123	$ 31,018
Additions	8,684	—	213	8,897
Write off of fully amortized assets	—	—	(1,867)	(1,867)
Effect of movements in foreign exchange	—	(42)	(19)	(61)
Total January 31, 2013	$ 24,552	$ 6,985	$ 6,450	$ 37,987
Accumulated amortization at beginning of year	$ 11,996	$ —	$ 4,402	$ 16,398
Amortization expense	1,930	—	1,398	3,328
Write off of fully amortized assets	—	—	(1,867)	(1,867)
Effect of movements in foreign exchange	—	—	(8)	(8)
Total January 31, 2013	$ 13,926	$ —	$ 3,925	$ 17,851
Net book value January 31, 2013	**$ 10,626**	**$ 6,985**	**$ 2,525**	**$ 20,136**

January 31, 2012	Software	Cost-U-Less banner	Non-compete agreements	Total
Balance, beginning of year	$ 15,057	$ 7,015	$ 8,114	$ 30,186
Additions	811	—	—	811
Effect of movements in foreign exchange	—	12	9	21
Total January 31, 2012	$ 15,868	$ 7,027	$ 8,123	$ 31,018
Accumulated amortization, beginning of year	$ 10,186	$ —	$ 2,853	$ 13,039
Amortization expense	1,810	—	1,538	3,348
Effect of movements in foreign exchange	—	—	11	11
Total January 31, 2012	$ 11,996	$ —	$ 4,402	$ 16,398
Net book value January 31, 2012	**$ 3,872**	**$ 7,027**	**$ 3,721**	**$ 14,620**

Work in process

As at January 31, 2013 the Company had incurred $6,519 for intangible assets that were not yet available for use, and therefore not subject to amortization.

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 intangible assets and management considers reasonably foreseeable changes in key assumptions are unlikely to produce an intangible asset impairment.

9. INCOME TAXES

The following are the major components of the income tax expense:

Year Ended	**January 31, 2013**	January 31, 2012
Current tax expense:		
Current tax on earnings for the year	**$ 30,199**	$ 8,969
Withholding taxes	**207**	1,443
(Over) under provision in prior years	**740**	(21)
	$ 31,146	$ 10,391
Deferred tax expense:		
Origination and reversal of temporary differences	**$ (3,996)**	$ 16,122
Impact of change in tax rates	**(48)**	(978)
Over provision in prior years	**(941)**	(213)
	(4,985)	14,931
Income taxes	**$ 26,161**	$ 25,322

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, 2013**	January 31, 2012
Net earnings before income taxes	**$ 91,309**	$ 83,283
Combined statutory income tax rate	**28.2%**	30.3%
Expected income tax expense	**$ 25,749**	$ 25,235
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses/non-taxable income	**$ (183)**	$ (136)
Withholding taxes	**207**	1,443
Impact of change in tax rates	**(48)**	(978)
Over provision in prior years	**(201)**	(234)
Other	**637**	(8)
Provision for income taxes	**$ 26,161**	$ 25,322
Income tax rate	**28.7%**	30.4%

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, 2013**	January 31, 2012
Net investment hedge:		
Origination and reversal of temporary difference	**$ 56**	$ (30)
Impact of change in tax rates	**6**	2
	$ 62	$ (28)
Defined benefit plan actuarial loss:		
Origination and reversal of temporary difference	**$ (958)**	$ (5,540)
Impact of change in tax rates	**(27)**	(1)
	(985)	(5,541)
	$ (923)	$ (5,569)

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

January 31, 2013	February 1, 2012	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Foreign exchange differences recognized in OCI	**January 31, 2013**
Deferred tax assets:					
Goodwill & intangible assets	$ 467	$ (50)	$ —	$ 1	**$ 418**
Property & equipment	8,089	2,337	—	3	**10,429**
Inventory	1,507	113	—	(6)	**1,614**
Share-based compensation and long-term incentive plans	1,693	1,678	—	—	**3,371**
Defined benefit plan obligation	7,366	(744)	985	—	**7,607**
Accrued expenses not deductible for tax	3,756	430	—	(12)	**4,174**
Other	898	821	—	2	**1,721**
	$ 23,776	$ 4,585	$ 985	$ (12)	**$ 29,334**
Deferred tax liabilities:					
Net investment hedge	$ (1,179)	$ —	$ (62)	$ —	**$ (1,241)**
Investment in jointly controlled entity	(1,086)	(63)	—	—	**(1,149)**
Deferred limited partnership earnings	(16,260)	390	—	—	**(15,870)**
Other	(269)	73	—	—	**(196)**
	$ (18,794)	$ 400	$ (62)	$ —	**$ (18,456)**
	$ 4,982	$ 4,985	$ 923	$ (12)	**$ 10,878**

Recorded on the consolidated balance sheet as follows:	
Deferred tax assets	**$ 12,904**
Deferred tax liabilities	**(2,026)**
	$ 10,878

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**
Accrued expenses not deductible for tax	4,162	(330)	—	(76)	**3,756**
Other	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	(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

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 $53,000 at January 31, 2013 (January 31, 2012 – $41,000).

10. OTHER ASSETS

	January 31, 2013	January 31, 2012
Investment in jointly controlled entity (Note 23)	**$ 8,590**	$ 8,156
Long-term receivable (Note 5)	**2,626**	2,507
Other	**3,053**	1,687
	$ 14,269	$ 12,350

11. LONG-TERM DEBT

	January 31, 2013	January 31, 2012
Current:		
Revolving loan facilities [1]	**$ 39,968**	$ —
Notes payable	**199**	268
Finance lease liabilities	**250**	361
	$ 40,417	$ 629
Non-current		
Revolving loan facilities [1]	**$ —**	$ 36,187
Revolving loan facilities [2]	**52,499**	68,850
Senior notes [3]	**69,461**	69,626
Revolving loan facilities [4]	**718**	—
Notes payable	**189**	391
Finance lease liabilities	**70**	209
	$ 122,937	$ 175,263
Total	**$ 163,354**	$ 175,892

(1) 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, 2013, the Company had drawn US$40,000 (January 31, 2012 – US$36,000) on this facility.

(2) Canadian Operations have an extendible, committed, revolving loan facility of $170,000 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) 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, 2012 – US$28,000). The interest rate swaps mature June 15, 2014.

(4) In October 2012, the Company completed the refinancing of the committed, revolving loan facility of US$20,000 that matured on October 31, 2012. The new committed, revolving facility provides the Company with up to US$30,000 for working capital requirements and general business purposes. This facility, which matures October 31, 2015, bears a floating rate of interest based on LIBOR plus a spread and is secured by a charge against certain accounts receivable and inventories of the International Operations. At January 31, 2013, the International Operations had drawn US$719 (January 31, 2012 – US $NIL) 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, 2013 and January 31, 2012. The accrued pension benefits and the market value of the plans' net assets were last determined by actuarial valuation as at January 1, 2013. The next actuarial valuation is required as at January 1, 2014. 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, 2013, the Company contributed $5,583 to its defined benefit pension plans (January 31, 2012 - $4,340). During the year ended January 31, 2013, the Company contributed $2,002 to its defined contribution pension plans (January 31, 2012 - $1,803). The current best estimate of the Company's funding obligation for the defined benefit pension plans for the year commencing February 1, 2013 is $3,300. 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:

	January 31, 2013	January 31, 2012
Discount rate on plan liabilities	**4.3%**	4.5%
Rate of compensation increase	**4.0%**	4.0%
Discount rate on plan expense	**4.5%**	5.8%
Inflation assumption	**2.0%**	2.0%
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, 2013	January 31, 2012
Average life expectancies at age 65 for current pensioners:		
Male	**19.8**	19.7
Female	**22.1**	22.1
Average life expectancies at age 65 for current members aged 45:		
Male	**19.9**	19.8
Female	**21.8**	21.8

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, 2013	January 31, 2012
Plan assets:		
Fair value, beginning of year	**$ 57,893**	$ 58,773
Expected return on plan assets	**3,800**	3,777
Benefits paid	**(4,441)**	(5,681)
Employer contributions	**5,583**	4,340
Employee contributions	**12**	20
Actuarial gains/(losses) recognized in OCI	**2,292**	(3,336)
Fair value, end of year	**$ 65,139**	$ 57,893
Plan obligations:		
Defined benefit obligation, beginning of year	**$ (85,509)**	$ (67,773)
Current service costs	**(2,870)**	(2,192)
Employee contributions	**(12)**	(20)
Accrued interest on benefits	**(3,748)**	(3,734)
Benefits paid	**4,441**	5,681
Actuarial losses recognized in OCI	**(5,872)**	(17,471)
Defined benefit obligation, end of year	**$ (93,570)**	$ (85,509)
Plan deficit	**$ (28,431)**	$ (27,616)

The defined benefit obligation exceeds the fair value of plan assets as noted in the table.

The expected return on plan 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 2012 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
Discount rate:	**4.3%**		
Impact of:	1% increase	$ (14,669)	$ (439)
	1% decrease	$ 19,075	$ 439

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, 2013	January 31, 2012
Plan assets:		
Equity securities	**62%**	60%
Debt securities	**33%**	36%
Other	**5%**	4%
Total	**100%**	100%

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

	January 31, 2013	January 31, 2012
Employee costs (Note 17)		
Defined benefit pension plan, current service costs included in post-employment benefits	**$ 2,870**	$ 2,192
Defined contribution pension plan	**2,001**	1,803
Savings plan for U.S. employees	**411**	411
	$ 5,282	$ 4,406
Interest expense (Note 18)		
Expected return on pension plan assets	**$ (3,800)**	$ (3,777)
Interest on pension plan liabilities	**3,748**	3,734

The following amounts have been included in Other Comprehensive Income:

	January 31, 2013	January 31, 2012
Current Year:		
Actuarial gains/(losses)	**$ 2,292**	$ (3,336)
Actuarial loss on plan obligation	**(5,872)**	(17,471)
Taxes on cumulative actuarial movement in OCI	**985**	5,541
Net actuarial movement recognized in OCI	**$ (2,595)**	$ (15,266)
Cumulative gains/losses recognized in OCI:		
Cumulative gross actuarial movement in OCI	**$ (22,966)**	$ (19,386)
Taxes on cumulative actuarial movement in OCI	**4,059**	3,074
Cumulative net actuarial movement recognized in OCI	**$ (18,907)**	$ (16,312)

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

	January 31, 2013	January 31, 2012
Expected return on plan assets	**$ 3,800**	$ 3,777
Actuarial movement recognized in OCI reflecting the difference between expected and actual return assets	**2,292**	(3,336)
Actual return on plan assets	**$ 6,092**	$ 441

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 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, 2013 was $8,440 (January 31, 2012 - $4,726). 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, 2013	January 31, 2012
Accounts payable and accrued liabilities	**$ 7,437**	$ 4,611
Other long-term liabilities	**5,506**	3,207
Contributed surplus	**1,916**	1,611
Total	**$ 14,859**	$ 9,429

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 units 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, 2013 are $5,527 (January 31, 2012 - $2,981).

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, 2013. 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, 2013 is $1,288 (January 31, 2012 - $867).

The fair values for options issued during the year were calculated based on the following assumptions:

	2012	2011
Fair value of options granted	**$ 3.35 to 4.62**	$ 3.61 to 4.74
Exercise price	**$ 21.86**	$ 20.62
Dividend yield	**4.7%**	4.5%
Annual risk-free interest rate	**1.7%**	2.7%
Expected share price volatility	**28.0%**	29.2%

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

	2012	2011
Dividend yield	**4.5%**	5.4%
Annual risk-free interest rate	**1.4%**	1.2%
Expected share price volatility	**20.9% to 25.8%**	26.9% to 29.5%

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:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	2012	2011	**2012**	2011
Outstanding options, beginning of year	**315,812**	—	**548,486**	509,200
Granted	**328,677**	315,812	**63,177**	56,186
Exercised	**—**	—	**(26,430)**	—
Forfeited or cancelled	**(64,474)**	—	**(28,301)**	(16,900)
Outstanding options, end of year	**580,015**	315,812	**556,932**	548,486
Exercisable at end of year	**—**	—	**59,165**	—

Weighted-average exercise price	**Declining Strike Price Options**		**Standard Options**	
	2012	2011	**2012**	2011
Outstanding options, beginning of year	**$ 20.34**	$ —	**$ 17.45**	$ 17.10
Granted	**21.86**	20.62	**21.86**	20.62
Exercised	**—**	—	**15.25**	—
Forfeited or cancelled	**21.11**	—	**17.31**	16.92
Outstanding options, end of year	**$ 21.12**	$ 20.34	**$ 18.07**	$ 17.45
Exercisable at end of year	**$ —**	$ —	**$ 15.25**	$ —

Summary of options outstanding by grant year

	Outstanding				Exercisable	
Grant year	Range of exercise price	Number outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Options exercisable	Weighted-average exercise price
2009	$ 15.25	217,169	6.4	$ 15.25	59,165	$ 15.25
2010	$ 19.11-19.74	220,400	7.2	$ 19.12	NIL	N/A
2011	$ 19.71-20.62	340,296	5.5	$ 19.94	NIL	N/A
2012	$ 21.39-21.86	359,082	6.2	$ 21.47	NIL	N/A

Director Deferred Share Unit Plan

The Director DSU 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, 2013 is an expense of $969 (January 31, 2012 –$288). The total number of deferred share units outstanding at January 31, 2013 is 136,685 (January 31, 2012 – 118,262). There were 4,698 deferred share units exercised during the year ended January 31, 2013 (January 31, 2012 – 37,236). 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, 2013 is $656 (January 31, 2012 – $590).

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, 2013, the Company had undrawn committed revolving loan facilities available of $144,122 (January 31, 2012 - $126,445) which mature in 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.

	2013	2014	2015	2016	2017	2018+	Total
Accounts payable and accrued liabilities	$ 130,501	—	—	—	—	—	$ 130,501
Interest rate swap payable(1)	1,113	417	—	—	—	—	1,530
Current portion of long-term debt (Note 11)	40,864	—	—	—	—	—	40,864
Long-term debt (Note 11)	5,766	73,025	53,583	—	—	—	132,374
Operating leases	23,490	19,960	16,677	14,380	12,648	48,732	135,887
Total	$ 201,734	93,402	70,260	14,380	12,648	48,732	$ 441,156

(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 impairment 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 $72,666 (January 31, 2012 - $79,046). The Company does not have any individual customers greater than 10% of total accounts receivable. At January 31, 2013, the Company's maximum credit risk exposure is $86,708 (January 31, 2012 - $92,652). Of this amount, $17,850 (January 31, 2012 - $18,614) is more than 60 days past due. The Company has recorded an allowance against its maximum exposure to credit risk of $14,042 (January 31, 2012 - $13,606) which is based on historical payment records for similar financial assets.

As at January 31, 2013 and 2012, 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. Procurement and related borrowing activity are generally conducted in currencies matching cash flows generated by underlying operations, providing an economic hedge without sophisticated treasury management. Short-term imbalances in foreign currency holdings are rectified by buying or selling at spot rates when necessary.

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 $1,170. A 100 basis point decrease would cause net income to increase by approximately $1,170.

(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, 2013		**Assets (Liabilities) carried at amortized cost**		**Assets (Liabilities) carried at fair value**
	Maturity	Carrying amount	Fair value	Carrying amount
Cash	Short-term	$ 38,675	$ 38,675	$ —
Accounts receivable	Short-term	70,040	70,040	—
Other financial assets	Long-term	3,664	3,664	—
Accounts payable and accrued liabilities	Short-term	(130,501)	(130,501)	—
Financial derivative instruments[(1)]	Long-term	—	—	945
Current portion of long-term debt	Short-term	(40,417)	(40,417)	—
Long-term debt[(1)]	Long-term	(123,882)	(125,046)	—

(1) These items total $122,937 which comprise the carrying amount of debt presented as long-term (Note 11).

January 31, 2012		Assets (Liabilities) carried at amortized cost		Assets (Liabilities) carried at fair value
	Maturity	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 debt presented as long-term (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, 2012 – 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, 2013	Notional value	Interest rate	Fair value
Interest rate swaps in effective fair value hedging relationship	US$28,000 (2011 - US$28,000)	LIBOR plus 3.67%	$945 (2011 - $1,516)

Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate total return to shareholders while maintaining a capital structure that provides the flexibility to take advantage of the growth opportunities of the business, maintain existing assets, meet obligations and financial covenants 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 optimize efficiency through an appropriate balance of debt and equity. 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, 2013, the debt-to-equity ratio was 0.55 compared to 0.62 last year. The debt-to-equity ratio is within the Company's objectives. The debt-to-equity ratio is calculated as follows:

	January 31, 2013	January 31, 2012
Current portion of long-term debt	**$ 40,417**	$ 629
Long-term debt	**122,937**	175,263
Total debt	**$ 163,354**	$ 175,892
Total equity	**$ 296,250**	$ 283,709
Debt-to-equity ratio	**0.55**	0.62

(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, 2013 and 2012, 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, 2013.

15. SHARE CAPITAL

Authorized – The Company has an unlimited number of shares.

	Shares	Consideration
Balance at January 31, 2012	**48,378,000**	**$ 165,133**
Issued under option plans (Note 13)	**10,721**	**$ 225**
Balance at January 31, 2013	**48,388,721**	**$ 165,358**

16. EXPENSES BY NATURE

Year Ended	January 31, 2013	January 31, 2012
Employee costs (Note 17)	**$ 220,070**	$ 210,893
Amortization	**37,149**	36,572
Operating lease rentals	**24,304**	23,391
Foreign exchange loss	**106**	20

17. EMPLOYEE COSTS

Year Ended	January 31, 2013	January 31, 2012
Wages, salaries and benefits including bonus	**$ 206,348**	$ 201,761
Post-employment benefits (Note 12)	**5,282**	4,406
Share-based compensation (Note 13)	**8,440**	4,726
Included in the above are the following amounts in respect of key management compensation:		
Wages, salaries and benefits including bonus	**$ 4,238**	$ 3,893
Post-employment benefit expense	**646**	420
Share-based compensation	**5,234**	2,777

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, 2013	January 31, 2012
Interest on long-term debt	**$ 6,637**	$ 6,484
Fair value movement of derivative financial instruments in effective fair value hedging relationships	**26**	(10)
Expected return on pension plan assets	**(3,800)**	(3,777)
Interest on pension plan liabilities	**3,748**	3,734
Interest income	**(296)**	(244)
Less: interest capitalized	**(506)**	(161)
Interest expense	**$ 5,809**	$ 6,026

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, 2013	January 31, 2012
Dividends recorded in retained earnings	**$ 50,320**	$ 46,443
Special distribution paid February 18, 2011 to unitholders of record on December 31, 2010	**—**	4,354
Dividends/distributions paid in cash	**$ 50,320**	$ 50,797
Dividends/distributions per share	**$ 1.04**	$ 1.05

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 14, 2013, the Board of Directors declared a dividend of $0.28 per common share to be paid on April 15, 2013 to shareholders of record as of the close of business on March 28, 2013.

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.

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

Year Ended	**January 31, 2013**	January 31, 2012
Diluted earnings per share calculation:		
Net earnings for the year (numerator for diluted earnings per share)	**$ 65,148**	$ 57,961
Weighted-average shares outstanding (denominator for basic earnings per share)	**48,384**	48,378
Dilutive effect of share-based compensation	**195**	147
Denominator for diluted earnings per share	**48,579**	48,525
Basic earnings per share	**$ 1.35**	$ 1.20
Diluted earnings per share	**$ 1.34**	$ 1.19

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, 2013**		January 31, 2012	
	Land and buildings	**Other leases**	Land and buildings	Other leases
Due within 1 year	**$ 22,739**	**$ 751**	$ 23,636	$ 738
Within 2 to 5 years inclusive	**62,755**	**910**	67,950	1,015
After 5 years	**48,732**	**—**	55,792	—

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, 2013, the Company has opened 31 Giant Tiger stores.

As a result of store closures during the year, the Company has fallen below the minimum number of stores required to maintain its exclusive right to open Giant Tiger stores in western Canada. The loss of exclusivity does not constitute an event of default under the Company's master franchise rights and will not prevent the Company from continuing to operate its existing stores.

Contingencies

In the ordinary course of business, the Company is subject to audits by taxation 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 taxation 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 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:

			Proportion of voting rights held by:	
	Activity	**Country of Organization**	**Company**	**Subsidiary**
NWC GP Inc.	General Partner	Canada	100%	
North West Company Holdings Inc.	Holding Company	Canada	100%	
The North West Company LP	Retailing	Canada	100% (less one unit)	
NWC (U.S.) Holdings Inc.	Holding Company	United States		100%
The North West Company (International) Inc.	Retailing	United States		100%
The North West Finance 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, 2013 and 2012 was $434 and $797 respectively. At January 31, 2013, the Company's share of the net assets of its jointly controlled entity amount to $7,970 (January 31, 2012 - $7,646), comprised assets of $9,355 (January 31, 2012 - $9,227) and liabilities of $1,385 (January 31, 2012 - $1,581).

During the course of the year the Company purchased freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries of $6,517 (January 31, 2012 - $7,144). The contract terms are based on market rates for these types of services on similar arm's length transactions.

Shareholder Information

Fiscal Year Quarter Ended	Share/Unit Price High	Share/Unit Price Low	Share/Unit Price Close	Volume	EPS/ EPU[1]
2012	**$23.88**	**$19.34**	**$23.14**	**13,539,464**	**$1.34**
April 30, 2012	22.54	19.34	22.24	5,115,051	0.28
July 31, 2012	22.47	20.20	21.57	2,997,845	0.38
October 31, 2012	23.62	21.01	23.40	2,175,850	0.36
January 31, 2013	23.88	21.56	23.14	3,250,718	0.32
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

1 Net earnings per share (unit) are on a diluted basis. 2010 has been restated for IFRS.

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 28, 2013
Payment Date: April 15, 2013

Record Date: June 28, 2013
Payment Date: July 15, 2013

Record Date: September 30, 2013
Payment Date: October 15, 2013

Record Date: December 31, 2013
Payment Date: January 15, 2014

*Dividends are subject to approval by the Board of Directors

2013 Annual General Meeting
The Annual General Meeting of Shareholders of The North West Company Inc. will be held on Wednesday, June 5, 2013 at 11:30 am in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, 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

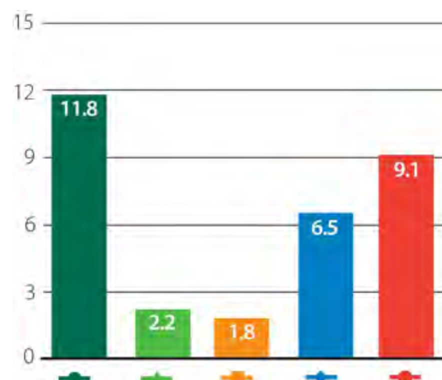
Stock Exchange Listing
The Toronto Stock Exchange

Stock Symbol NWC
ISIN #: CA6632781093
CUSIP #: 663278109

Number of shares issued and outstanding at January 31, 2013: 48,388,721

Auditors
PricewaterhouseCoopers LLP

Compound Annual Growth (%)



Corporate Governance

Complete disclosure of The North West Company Inc's. 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 T. Beaulieu
Vice-President,
NWC Services

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

Leanne Flewitt
Vice-President,
Merchandise Performance Services

Debbie A. Gillis
Vice-President,
Information Services

Paulina Hiebert
Vice-President,
Legal & Corporate Secretary

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

Christine Reimer
Vice-President,
Canadian Sales & Operations

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

*as at April 8, 2013

Executives
International Operations*

Edward S. Kennedy
Chairman & CEO

Rex A. Wilhelm
President &
Chief Operating Officer

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

Kina Perez
Vice-President,
Human Resources

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

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

Directors
The North West Company Inc.

H. Sanford Riley
Chairman

Edward S. Kennedy

Frank J. Coleman [1,2]

Wendy F. Evans [2,3]

Robert J. Kennedy [1,3]

Gary J. Lukassen [1,2]

Gary Merasty [1,3]

Eric L. Stefanson [1,2]

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:

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www.northwest.ca

Nor'Westers are associated with the vision, perseverance, and enterprising spirit of the original North West Company and Canada's early 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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