## **Relationships that Matter**



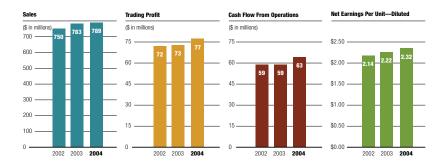
NORTH WEST COMPANY FUND 2004 SUMMARY ANNUAL REPORT

#### NORTH WEST COMPANY FUND

### **Financial Highlights**

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

Fiscal Year (\$ in thousands)		2004	52 W	leeks	2003	53	Weeks	2002	2 52	Weeks
Results For The Year										
Sales			\$78	8,693		\$	782,720		\$7	749,759
Same store sales % increase (equivalent 52-week basis)				1.4%			2.1%			3.4%
Trading profit1 (earnings before interest, income taxes and ar	mortization)		\$ 7	6,606		\$	72,826		\$	72,271
Earnings before interest and income taxes <sup>1</sup> (EBIT)			5	2,701			50,425			49,599
Net earnings			3	7,265			35,730			34,469
Cash flow from operations			6	2,798			58,886			59,184
Financial Position										
Total assets			\$41	3,637		\$4	409,600		\$4	118,191
Total debt			12	0,932			127,902		1	36,812
Total equity			23	6,285		2	228,478		2	219,384
Financial Ratios										
Debt-to-equity				.51:1			.56:1			.62:1
Return on net assets <sup>2</sup>			1	4.8%			14.1%			13.4%
Return on average equity			1	6.2%			16.0%			15.8%
Per Unit (\$)		BASIC	DI	LUTED	BASIC		DILUTED	BASIC		DILUTED
Trading profit	\$	4.81	\$	4.75	\$ 4.57	\$	4.52	\$ 4.51	\$	4.48
Net earnings		2.34		2.32	2.24		2.22	2.15		2.14
Cash flow from operations		3.95		3.89	3.69		3.65	3.70		3.67
Equity—net book value		14.86		14.65	14.34		14.17	13.76		13.60
Cash distributions paid during the year				1.80			1.90			1.56
Market price—January 31			;	30.65			23.63			20.70
—high			:	31.74			25.50			21.03
—low			:	23.10			20.87			16.95



<sup>1</sup> See Non-GAAP measures section on page 17 in the Management's Discussion & Analysis which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

<sup>2</sup> Earnings before interest and income taxes as a percent of average net assets employed



### Another Year of Increased Sales & Profitability



### The North West Company Fund (NWF) had another year of increased sales and profitability. It is gratifying that the capital markets have acknowledged the

**and profitability.** It is gratifying that the capital markets have acknowledged the Fund's performance and management's direction for the future.

A key contributor to our financial performance has been the significant turnaround in our Alaska business. Unitholders will recall that prior to 1997, Alaska Commercial Company (AC) had accumulated significant losses. Edward Kennedy moved to Alaska in 1995 and rebuilt that management team. Jerry Bittner was hired as Vice-President, Marketing in 1996 and was appointed President of AC in 1997. Since 1996 the trading profit of AC has grown from \$2.2 million to \$14.0 million. Jerry retired in March 2005. On behalf of all unitholders and your Board, I recognize the tremendous contributions of Jerry and his AC team.

Don Beaumont will be retiring from the Board at our Annual and Special Meeting of Unitholders in June. Don is a renowned merchant in Canada and can always be counted on for insightful comments on our retail strategies. He chaired our Human Resources and Compensation Committee with great discipline, energy and fairness. I thank Don for his sterling nine-year contribution to the development of the North West Company Fund.

Governance guidelines have grown in complexity and force. I am pleased to note, as detailed in our Information Circular, that the NWF is in compliance with the spirit and letter of these guidelines. Your Board members have always governed themselves with the independence and integrity that one would expect from the NWF tradition for adhering to its strong values.

I would like to recognize the outstanding contributions of our more than 5,500 employees whose dedication and performance every day make our stores the first shopping choice for people living across the North and in urban neighbourhoods across western Canada.

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lan Sutherland

CHAIRMAN, THE NORTH WEST COMPANY INC. TRUSTEE, NORTH WEST COMPANY FUND APRIL 15, 2005

▲ Ian Sutherland visits Giant Tiger (Donald Street) in Winnipeg, Manitoba.

▼ Jerry Bittner and Don Beaumont will retire this year





### Building Relationships that Really Work



At North West we strive to serve our customers today while creating a clear path that will sustain performance over the long term. For several years, we've achieved success by keeping this focus and balance.

2004 marked another year of improvement. While we were satisfied with our numbers, we know that we can do better by identifying new customer needs. finding lower-cost ways of doing business and improving execution.

In this report, we talk about our results and strategies. In the feature section that follows, we give you a picture of what we stand for through the eyes of our customers, employees, communities, suppliers and investors. Their words reflect the relationships we want to develop across all our activities.

Solid Financial Results Consolidated revenues were up 2.2% last year. excluding the foreign exchange impact of a stronger Canadian dollar. Comparable or "same store" sales increased by 1.4% falling short of our 3% target. We started the year with lower inventory levels and a focus on margin management. This hurt sales more than we expected. Our customers' retail spending was squeezed by a major rise in fuel-related living costs. New merchandise and credit programs helped to accelerate sales growth in the second half, leading to a 4.1% increase in the fourth guarter.

Trading profit rose by 5.2% to \$76.6 million and was up 9.5% on a comparable basis, after adjusting for lower U.S. earnings in Canadian dollar terms and an unusual \$2.0 million insurance recovery gain in 2003. Improved product sourcing delivered higher margins, and new technology helped us to achieve store-level cost reductions during a demanding sales year.

Net income in 2004 was a record \$37.3 million. Earnings per unit (diluted) were up 4.5% to \$2.32, and return on equity was a very healthy 16.2%. This was our sixth consecutive year of higher income. Compound average earnings have increased 15% per year over this period.

North West unitholders again enjoyed the benefit of receiving steady income and a rising value from their North West Company Fund investment, Growing distributions. combined with gains in our unit price, delivered a total return to unitholders of 38.9% in 2004. Over the past five years, the compound average annual total return to our unitholders has been 32.2%, compared to 3.3% for the TSX Retailing Group.



Customers, employees, communities, suppliers and investors—the key players in relationships that we want to develop across all of our activities

#### Tracking 2004 Key Initiative Performance

In last year's report, we set out the key opportunities for the year. Most of these were completed successfully:



20 individuals were recruited for our new NCR Manager-In-Training program. This in-depth 6 to 12 month program ensures that manager candidates have the skills and knowledge to lead a store from the beginning of their first assignment.



New or renewed product and service businesses were tested to expand our share of customers' everyday spending. We developed direct importing from China; started to sell motor vehicles; tested three gas bars in road locations; increased our private label food assortment by 10.0% and doubled our sales to commercial customers like local governments and schools.

8 new replacement and major renovation store projects were completed, all within our capital spending plan.

Our wholesale businesses, Crescent Multi Foods in Canada and Frontier Expeditors in Alaska, did not meet their new account sales targets. We still see this as a significant long-term opportunity, but more work is required to build a unique, winning, competitive position.

Senior leadership positions were filled for our Northern/NorthMart, AC Value Center and Giant Tiger store banners, completing a smooth, planned succession process.

3 new Giant Tiger stores were opened, increasing our store count to 10. All stores open for more than one year, with the exception of one, have continued to improve their top and bottom line performance.















In Alaska, we are the local store of choice in 22 of 24 of the communities we serve.

Strategies to Sustain and Build Our Business In 2004, we fine-tuned our strategic direction and our long-range plans. We started with a competitive position that is based on three core strengths:

- · Logistical expertise in remote retailing in Canada;
- . Our superior physical store investment in the North; and
- Our understanding of the unique lifestyle needs of Aboriginal and other northern consumers.

**Adding to Our Core Strengths** These core strengths have been part of North West for many years, but they are no longer our only advantages.

In Alaska, we have built a profitable remote retail business. Today, we have the leading market share and are the local store of choice in 22 of the 24 communities we serve. Our 2004 results reflect this, with close to 20% of consolidated trading profit generated from Alaskan operations.

With the expansion of our Giant Tiger store base, we now serve the everyday needs of shoppers in rural and neighbourhood communities across western Canada, as well as the northern part of North America. We see our Northern/NorthMart, AC Value Center and Giant Tiger banners strengthening as they leverage off each other to drive down merchandise, logistics and support service costs while sharing ideas for growth.

Financial services are another newly established strength at North West. Our stores provide a range of credit and bank-type products to our customers, adding to the one-stop appeal of shopping with us. In 2004, financial services contributed \$3.3 million or 4.3% of our trading profit. Over the past two years, we have completed the installation of a new credit management system and ATM network, giving us a platform for expansion in this area.

Next Level Priorities We have several next level priorities, starting with our ability to capture more local sales opportunities. Through better recruitment and learning programs we are investing to build a level of talent across our store base that is second to none. In tangent with this initiative, we continue to redesign work, technology and compensation to give our store teams the time and incentive to get sales.

Within our merchandising ranks, we are placing our emphasis on buying great items at the best cost to support our Giant Tiger stores and, by extension, our northern retail banners. This "buy side" focus is a skill we've reinforced through the creation of a Food Procurement & Wholesalino Division in late 2004.

An ongoing opportunity and challenge at North West is deciding what to sell next. Our strategy is to be opportunistic but to take care of our food business first. We want food to anchor the shopping experience by making our stores a frequent destination. In the North, we want to go further to ensure that we are always the first choice for a full range of food, from fresh to shelf products. To help achieve this, food will be front and centre for future technology investment, training, selling space and store-level sales focus.

As we search for new customer needs to meet, two examples stand out: wellness and transportation. Wellness captures the burgeoning interest in health care and healthier living. Our 15-year forecast shows that, while our northern customers will still be 10 years younger than the Canadian average in 2020, even this demographic is getting older. In fact, the 40 to 55 age segment will increase by 200%. Wellness in our stores will revolve around more pharmacy services, private-branded food and non-food lifestyle products and visible, meaningful support for community healthy-living activities.

Transportation accounts for a large percentage, between 25% to 30%, of our customers' spending dollar. Today, we are only partially in this business. We sell snow machines, boats, motors and all-terrain vehicles, and we operate gas bars in 35 locations. Tomorrow, we envision retail gas outlets as part of our core product mix, and rapid growth of our truck and car sales.

Focus and Balance—The Current Year Our "focus and balance" approach will serve us well in 2005. The retail industry keeps moving toward bigger stores run by stronger competitors and fewer stores run by weak ones. In this environment, we will succeed by capturing and meeting local needs faster and better than the big box chains. We will keep our eye on daily, weekly and seasonal selling opportunities while investing even more in strategies for the future.

Fuel prices are expected to remain high in 2005. This will affect energy-dependent markets like northern Canada and Alaska where we must continue to compete hard to gain our share of spending. In the North, we plan to reinvest operating and product cost savings in our pricing so that we create more local shopping loyalty and higher spending per shopping trip. Our Best Practice training and work processes will expand to Alaska and to our small and medium northern Canadian stores. We will increase our Manager-In-Training graduates and plan to roll-out a broadband communication network to all our northern Canadian stores.

In the South, we plan to open four new Giant Tiger stores, bringing us closer to a critical mass of at least 20 stores so that we can get a full return on our investment in development and overhead. We continue to believe that our Giant Tiger venture will be a major contributor to our cash flow growth over the next 5 to 10 years.

Inventory management will get more attention in 2005. We finished 2004 with higher than expected inventory levels due to a number of factors, including the timing of winter road shipments, a decision to open our spring catalogue season with a stronger in-stock position and earlier purchases resulting from more direct buying. We plan to achieve reductions through better buying systems and the weeding out of slow-turning products.

Finally, doing better in the current year will mean enhancing our skill in innovation and continuous improvement. I am excited about our prospects in both areas because we are investing in learning, processes and technology. Above all, we're starting from our greatest strength—the dedication and commitment of our more than 5,500 employees.

Edward S. Kennedy

PRESIDENT & CEO, THE NORTH WEST COMPANY INC. APRIL 15, 2005













### Customers Value Service & Selection

#### AMID GREAT CHANGE, TRADITIONS LIVE ON

Janie Sam's life is a balance between tradition and change. Every summer she heads out with friends and family from her home in Chisasibi, Québec for the trek to an island in the middle of a river. About three decades ago, the land was flooded by a new dam, part of the massive James Bay hydroelectric project. "They said our village would end up under water, but it didn't," she says. "We go back every summer to camp and celebrate our traditions."

The dam also brought jobs and new housing to Chisasibi, located on the shores of James Bay, so that the town has more than quadrupled in size. But Janie is careful to keep alive traditions that count, such as the walking out ceremony where young toddlers in traditional dress first assume their place in the community.

Another constant for Janie has been the local Northern store. "I go there for almost everything," she says. "They're so friendly. It seems like they've always been there, growing with the community." This year Janie's photo graces the month of June in the Northern calendar, which is distributed across the North. "The people at the store kid me a lot," she laughs. "At my age, they've started calling me a calendar girl."

Janie Sam, Retired Chisasibi, Québec "It seems like they've always been there, growing with the community."





#### SERVICE-IT'S IN THE BAG AT AC

It's a simple thing, but to Jamie Vance it epitomizes the whole approach to service at her local AC store in Dillingham, Alaska. She's talking about how store staff carry her groceries out to her pickup truck.

"At AC, they always pick up my groceries. They know me, they know my pickup truck and they know I like the bags put on the front seat," says Jamie. "If you put food in the back of the truck, the ravens get it. They're huge. I don't know how it started, but the grocery baggers do it all the time now, and they don't even make you think they're doing you a favour."

Jamie, a Girl Scouts leader, has shopped for more than six years at the AC store in Dillingham, a commercial fishing community of about 4,900 in southwestern Alaska.

For Jamie, AC means service, whether it's cutting up poultry for her husband's favourite chicken fried steaks or donating paper and bows for the Scouts' gift wrapping fundraiser at the local Christmas craft show. "They do everything with a smile, it just seems to come naturally," she says.

Jamie Vance, Mother & Girl Scouts Leader Dillingham, Alaska





"They do everything with a smile, it just seems to come naturally."



"It's about three hours to the next town. It's nice to have a store that meets everybody's needs."



#### THE NORTHERN APPROACH—"PROACTIVE"

Fort Liard is a remote community in the western Arctic. That remoteness brings people closer together. Nobody knows that better than Gloria Nasogaluak and Josh McDonald, who recently arrived in the community after being hired by the hamlet office to organize sports and recreational programs.

They soon became a fixture in the community, and one of the places where their connection to the community began was at the Northern store. "When we arrived we didn't know anybody," says Gloria. "But people have been so nice to us." That includes Northern store manager Wayne Newbury. "Right from the start, he wanted to know how the store could help with our activities," says Josh. "Northern is always supportive."

The store provided free popcorn and movies for their movie night; candy for a Halloween event; bottled water, burgers and hot dogs for last summer's beach bash, and "lots of other stuff," says Josh.

"It's about three hours to the next town, so it's nice to have a store that meets everybody's needs," says Gloria. "If we want something, we go straight to Northern and usually they have it in stock. What they don't, they help you get it. They just like to help."

Gloria Nasogaluak & Josh McDonald, Recreation Programmers Fort Liard. Northwest Territories

# **Employee Commitment Runs Deep**



"We're not just a store, we're part of the community."



#### WORKING HARD TO FIND AND KEEP CUSTOMERS

As manager of the Northern store in Norman Wells, Northwest Territories. Dee Opperman believes that being proactive in relationship-building is the key to a successful store. In the two years that Dee has been in Norman Wells, business has almost doubled.

"I'm the President of our Chamber of Commerce and a member of the Legion. I know all our customers by name and they know me. It's important to be a real part of the community," says Dee.

With retailers from Yellowknife advertising locally every day, staff at the Northern store in Norman Wells are constantly coming up with marketing and promotional ideas to keep customers in town. From marketing Atkins diet products, using local cable TV to promote contests and sales, to mailing out food flyers, they work hard to find and keep good customers.

"In the end, it depends on the relationship you develop with your customers," says Dee. "Our Selections catalogue, pricing, product displaythey're all important in selling food and general merchandise. To me the real key is making a personal connection. We're not just a store, we're part of the community."

Dee Opperman, Store Manager Northern, Norman Wells, Northwest Territories

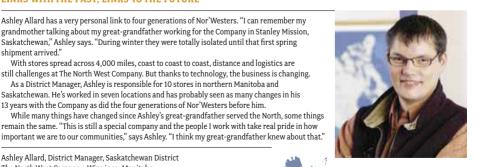
#### LINKS WITH THE PAST, LINKS TO THE FUTURE

Ashley Allard has a very personal link to four generations of Nor'Westers. "I can remember my grandmother talking about my great-grandfather working for the Company in Stanley Mission, Saskatchewan," Ashley says. "During winter they were totally isolated until that first spring shipment arrived."

With stores spread across 4,000 miles, coast to coast to coast, distance and logistics are still challenges at The North West Company. But thanks to technology, the business is changing. As a District Manager, Ashley is responsible for 10 stores in northern Manitoba and Saskatchewan. He's worked in seven locations and has probably seen as many changes in his

13 years with the Company as did the four generations of Nor'Westers before him. While many things have changed since Ashley's great-grandfather served the North, some things remain the same, "This is still a special company and the people I work with take real pride in how

Ashley Allard, District Manager, Saskatchewan District The North West Company, Winnipeg, Manitoba





Northern, Moosonee, Ontario

Portage La Loche, Saskatchewan.

In April 2005, Calvin was promoted to Store Manager,

# Community Links are Strong

#### FIGHTING DIABETES FROM HAWAII TO GOD'S NARROWS

The North West Company is the largest private contributor to the Canadian Diabetes

Association (CDA). And for good reason. The incidence of diabetes is three to five times higher among Aboriginal people than in the general Canadian population.

Our commitment touches a lot of people. One of them is Dora Bland, an employee at the Northern store in God's Narrows, Manitoba. Dora participated in the Company's six-member Hawaii marathon Team Diabetes in 2003. North West sends a team to an international marathon every year, the most successful company fundraising initiative for the CDA, raising \$457,000 over the past four years. It's all part of the Company's Healthy Living program, focusing on the benefits of physical activity and a healthy lifestyle to combat diseases and contribute to a better quality of life.

Dora has brought the Team Diabetes spirit to God's Narrows. Using the store as a base, she started a walking club as a way to improve residents' health. "We go out every day, sometimes twice a day," she says. "You've got to watch out for bears in the fall and wolves in the winter, but they don't really want to bother with us."

Last year, Dora ran in the Manitoba Marathon and that created tremendous local interest. "Now people here want to train for the marathon in 2005. I'm going to promote the relay races," says Dora.

Dora Bland, Northern Department Manager with her walking club God's Narrows, Manitoba



Dora Bland Laclia Andorson, Chirley Andorson and Leonard Bland







LEFT David Serkoak and students at the NorthMart in Iqaluit.
RIGHT A mother consoles her child during the fire at Joannie Elementary School.
BOTTOM The Beat of the Drum campaign closes with the presentation of a cheque
worth \$51.739 for the Joannie School Cultural Programs.

#### RESTORING A COMMUNITY'S DRUMBEAT

In Nunavut, and most of Arctic Canada, drum dancing and throat singing are treasured cultural activities. At Joamie Elementary School in Iqaluit, these traditions are so special the school has received international recognition. So when a fire destroyed the school last year, including Principal David Serkoak's Inuit drum collection, the whole community mourned the loss.

"When NorthMart asked if they could do something to restore our cultural programming, I was lost for words," says David. "We lost everything and NorthMart jumped right in to help."

"We created a Beat of the Drum campaign and donated a portion of store sales to Joamie School," says Glenn Cousins, store manager for the NorthMart store in Iqaluit. "We raised \$51,739 to help maintain the school's cultural programs."

Joamie School's drums, costumes and equipment are all being replaced. "We've performed for the Queen, for heads of state, and right inside the NorthMart store. Recognition outside of your community is very rewarding, but so is being appreciated within your own backyard," says David.

Thanks to NorthMart's support, Joamie Elementary School's cultural programs haven't missed a beat.

David Serkoak, Principal of Joamie Elementary School Iqaluit, Nunavut

#### AC'S MODEL PARTNERSHIP IN HOOPER BAY

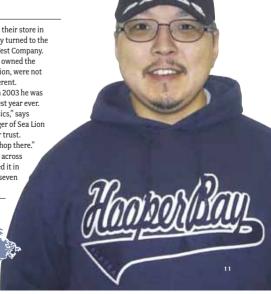
When the residents of Hooper Bay needed a new partner to run their store in the community of 1,200 people on the west coast of Alaska, they turned to the Alaska Commercial Company (AC), a subsidiary of The North West Company.

Sea Lion Corporation, the village corporation of Hooper Bay, owned the lease on the store. But residents, who are shareholders in Sea Lion, were not happy with the level of service. Today, the situation is very different.

AC trained a local resident to run the AC Value Center, and in 2003 he was named rookie manager of the year. In 2004, the store had its best year ever. "We've improved the selection and we're always in stock on basics," says branch manager John Olson Jr. William Naneng, General Manager of Sea Lion Corporation, adds "Being a partner with the store increases our trust. We benefit when they do well, and we tell our shareholders to shop there."

Hooper Bay has become a model for similar AC partnerships across Alaska. "It's worked so well we've refined our model and adopted it in other communities," says Rex Wilhelm, President of AC. "Now, seven of our 24 stores in Alaska run on a Hooper Bay type model."

John Olson Jr., Branch Manager AC Value Center, Hooper Bay, Alaska



## **Suppliers** Add Real Value "We've increased our sales, they've reduced inventory."



#### ALLIANCE RENEFITS BY THE TRUCKLOAD

How can you hold a "Truckload Sale" when there are no roads in or out of town? In the North, problems like these are just technicalities. They certainly haven't stopped Northern and its alliance partner Dufresne Furniture and Appliances of Winnipeg, Manitoba.

"Last year, 50 truckload events were organized by Dufresne and Northern at locations across the North," estimates company CEO Mark Dufresne, "In some places the goods come in by barge, in others we use a container and put wheels on it," says Mark. "In northern communities it's a real big event, but you can't call it a "Barge Sale."

Truckload sales are just one of the benefits the retailing alliance has brought to Northern and its customers. The alliance has meant increased buying leverage, better marketing programs, wider selection and faster order turnaround times, "We know the furniture and appliances business better, they know the North," says Mark. "We've increased our sales, they've reduced their inventory. The benefits are extensive. These sales provide an exceptional promotion, improved selection to consumers, and will continue to be a valued part of the alliance strategy."

Mark Dufresne, Chief Executive Officer Dufresne Furniture & Appliances, Winnipeg, Manitoba



#### CREATING A LIQUID ASSET OUT OF H20

Water isn't scarce in the North but drinkable water is not always easily accessible or cheaply available. Enter Northern and its partner, Dynα-Pro Environmental. Dyna-Pro is Canada's largest supplier of water purification systems. "In 1992, we installed test systems in a few Northern stores," says Paul Mcdonald, Vice-President, Operations at Dyna-Pro. "Today more than half of all stores offer our *Ultrα-Pure™* systems, and water sales have been growing quickly."

"We hope to have systems in virtually all stores within the next year. It's the only product the stores sell that they also produce."

For customers, the attraction is simple: *Ultrα-Pure*™ water can be as little as two-thirds the cost of bottled water, which is expensive because many locations have to fly it in from the South. For the stores, offering safe, affordable water increases traffic and meets an everyday need in a cost-effective way.

Paul Mcdonald, Vice-President, Operations Dyna-Pro Environmental, Winnipeg, Manitoba

Safe, affordable water meets an everyday need in a cost-effective way.





#### **UNFRESH AT AC? PERISH THE THOUGHT**

In southern Canada and the lower 48 states, shoppers take fresh produce for granted. But in the North, everybody knows they don't call them "perishables" for nothing.

"In the North, it's not easy getting fresh produce to market quickly," says Elaine Nisson, Senior Account Manager for Northern Air Cargo in Anchorage. "AC makes the extra effort."

Alaska Commercial Company is the premier retailer in "bush" or remote Alaska. AC is #1 because it thinks like #2. It tries harder. And so do its suppliers. So when AC decided to improve produce deliveries a couple of years ago, it turned to its main transportation partner, Northern Air Cargo.

"We ship by air almost every item in their stores in western and northern Alaska," says Elaine. "When you work together this closely for so long you feel you're part of the Company. We worked out a system where, as soon as AC produce arrives in our warehouse, it goes out on the next flight. Customers get it days earlier"

For AC, first in freshness means higher freight costs, but also less wastage, setting a higher bar for their competitors, boosting loyalty and further strengthening their #1 market position.

Elaine Nisson, Senior Account Manager Northern Air Cargo, Anchorage, Alaska





# Performance Shines Through for Investors



#### AN INVESTMENT THAT STRENGTHENS NORTHERN CONNECTIONS

Investments are measured in dollars, but in the end it all comes back to people. That's certainly the case with *Rupertsland Holdings Inc.*'s investment in units of the North West Company Fund (NWF).

Rupertsland invests on behalf of more than 150 Aboriginal communities in Saskatchewan, Manitoba, western Northwest Territories and the Yukon. Its first and most important investment was in NWF units.

"Our investment makes sense on so many levels," says Allan McLeod, President and CEO of Rupertsland. "Some of our people work for North West, many are customers and, through other investments, we are business partners and suppliers. It's only natural that we take some ownership in the Fund because our investors have so many connections with North West."

Rupertsland has benefited from the distributions it has received from the Fund and the appreciation it has seen in the units. But more important over the longer term for both Rupertsland and North West is the strengthening of the connection between the Company and its communities. "It gives us an important stake in the retail sector in our communities and it brings North West even closer to the customers," says Allan. "We can help each other in hirring, training, business strategy and selling. It's a nice circle."

Allan McLeod, President and CEO Rupertsland Holdings Inc., Winnipeg, Manitoba

"They can take care of their business, expand and pay higher distributions, while reducing their borrowing."

#### A PASSION FOR THE NORTH, A CORNERSTONE FOR INCOME

When Jim Morlock stopped practising law a few years ago and looked at retirement, he had a problem. No income. Jim had investments, but he had no pension.

He began researching unit trusts and the income they offered, and he was drawn to the North West Company Fund. "I know and love the North so it was a natural," says Jim. "The more I found out about North West and the people there, the more I liked it."

He's visited Northern stores in Iqaluit and Baker Lake. "They look so much better than the competition, you feel a sense of pride," he says. But his investment decisions aren't based on sentiment. Jim does his homeword. "They've done a great job reducing inventories by developing merchandise alliances, and I'm impressed at how quickly they've produced positive cash flows from new Giant Tiger stores. I like the fact they can take care of their business, expand and pay higher distributions, while reducing their borrowing."

Today, the Fund is a cornerstone holding for Jim. He started buying units a few years ago when they traded at less than half the current price, and the annual distribution has increased significantly.

Jim Morlock, Private Investor Toronto, Ontario





#### EARNING INVESTORS' TRUST DEMANDS DISCIPLINE

Running a large income trust portfolio is not a simple job. Today, there are literally hundreds of these investments to choose from—from the oil and gas business to real estate, restaurants, hothouse tomatoes, water heaters and peat moss.

"We look for unit trusts that display strong fundamental characteristics," says Sandy McIntyre, Vice-President and Senior Portfolio Manager with Sentry Select Capital Corp., in Toronto, Ontario. Sentry Select has a strong track record and manages more than \$2.3 billion in investor funds.

"We like trusts that show discipline with their cash flow, that are careful to reinvest in their business and have room to grow." Sentry Select has become one of the largest investors in the North West Company Fund, owning more than 5% of the outstanding units, or more than \$20 million worth.

"Most companies show little responsibility toward the investor," says Sandy. "They invest their cash more to suit themselves than on behalf of investors. But North West gets it. They take care of their business, and I feel they look after the money we have invested. In the North, they're as strong as Wal-Mart, except they operate in the fastest-growing population areas."

Sandy McIntyre, Vice-President and Senior Portfolio Manager Sentry Select Capital Corp., Toronto, Ontario

# Structured for Building Better Returns

The Fund The North West Company Fund (the Fund) was created on March 27, 1997 when the shareholders of The North West Company Inc. (the Company) exchanged their shares for 100% of the issued units of the Fund. Shareholders recognized the advantages of an income trust structure based on the Company's stable operating track record. The benefits of the Fund structure included increased cash distributions to unitholders, improved unitholder value and the enhanced ability of the Fund to raise capital for growth. Distributions of interest paid by the Company to the Fund and through to unitholders resulted in a tax saving to the Company. This tax saving and the positive trend in cash flow from operations of the Fund have permitted growing distributions to unitholders. The Company's tax saving per unit on interest paid to the Fund was \$0.57 for the 2004 fiscal year. The Fund's ability to provide stable and growing cash flow from operations has resulted in its market capitalization growing 158% since conversion to \$500 million at January 29, 2005. The increased unit value and trading volumes have benefited unitholders, while the improved equity position has enhanced the Fund's ability to expand.

Capital Structure of the Company The Fund holds \$205.0 million in subordinated notes of the Company, at a weighted average interest rate of 12.6%. The maximum total distribution from the interest on the notes, net of fund expenses, is \$1.56 per unit. Additional distributions are made from dividends paid to the Fund by the Company. The Fund owns all of the shares of the Company.

Cash Paid Out & Reinvested The following table outlines the cash flow from operations per unit and the amounts distributed and reinvested over the past five years. Distributions have increased from \$1.44 per unit in 2000 to \$1.80 per unit in 2004. A special one-time distribution of \$0.34 per unit is included in the 2003 distributions. The Company has reinvested over 50% of cash flow from operations.

Fiscal year	2000	2001	2002	2003	2004
Cash flow from operations/unit \$1	3.21	3.74	3.67	3.65	3.89
Payout \$	1.44	1.46	1.56	1.90	1.80
Payout %	44.9	39.0	42.5	52.1	46.3
Reinvested \$	1.77	2.28	2.11	1.75	2.09

<sup>1</sup> For 2002 to 2004, the total number of units outstanding throughout the year was used to calculate cash flow from operations/unit \$. Units held by management as part of the Unit Purchase Loan Plan were not deducted from the total number of units outstanding.

**Distributions** The policy of the Fund is to annually distribute about 50% of operating cash flow. This policy is based on the Company's short and long-term capital requirements, its stable earnings and its strong balance sheet. During 2004, unitholders received quarterly cash distributions of \$0.45 per unit. Quarterly cash distributions of \$0.47 per unit are expected for 2005, payable to unitholders of record at the end of March, June, September and December, and distributed by the fifteenth of the following month.



#### **Management's Responsibility for Financial Statements**

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

In order to meet its responsibility and ensure integrity of financial reporting, management has established a code of business ethics, and maintains appropriate internal controls and accounting systems. The summarized consolidated financial statements and all other information in this annual report should be read in conjunction with the audited consolidated financial statements and Management's Discussion & Analysis.

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

Edward S. Kennedy

PRESIDENT & CEO, THE NORTH WEST COMPANY INC

Calling

Léo P. Charrière

EXECUTIVE VICE-PRESIDENT, CFO & SECRETARY, NORTH WEST COMPANY FUND

MARCH 16, 2005

#### PRICEWATERHOUSE COPERS 5

#### **Auditor's Report on Summarized Financial Statements**

To the Unitholders of North West Company Fund:
The accompanying summarized consolidated hal-

The accompanying summarized consolidated balance sheets and statements of earnings and retained earnings and cash flows are derived from the complete consolidated financial statements of North West Company Fund as at January 29, 2005 and January 31, 2004 and for the years then ended on which we expressed an opinion without reservation in our report dated March 16, 2005. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete consolidated financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.

CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

MARCH 16 2005

#### **Consolidated Balance Sheets**

(\$ in thousands)	January 29, 2005	January 31, 2004
ASSETS		
Current assets		
Cash	\$ 11,438	\$ 16,627
Accounts receivable	69,040	59,414
Inventories	122,034	114,790
Prepaid expenses	2,663	3,083
Future income taxes	2,467	2,916
	207,642	196,830
Property and equipment	186,104	192,395
Other assets	11,959	12,153
Future income taxes	7,932	8,222
	\$413,637	\$409,600
LIABILITIES		
Current liabilities		
Bank advances and short-term notes	\$ 32,023	\$ 30,313
Accounts payable and accrued liabilities		50,306
Income taxes payable	3,539	1,881
Current portion of long-term debt	106	640
	87,444	83,140
Long-term debt	88,803	96,949
Asset retirement obligations	1,105	1,033
	177,352	181,122
EQUITY		
Capital	165,205	165,205
Unit purchase loan plan	(4,429)	(3,650
Retained earnings	70,560	61,679
Cumulative currency		
translation adjustments	4,949	5,244
	236,285	228,478
	\$413,637	\$409,600

Approved by the Trustees and Board

lan Sutherland TRUSTEE & DIRECTOR Edit

Edward S. Kennedy DIRECTOR

All financial data was summarized from and should be read in conjunction with the audited consolidated financial statements included in the Management's Discussion & Analysis and Consolidated Financial Statements report which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

# **Consolidated Statements of Earnings & Retained Earnings**

(\$ in thousands)	52 Weeks Ended January 29, 2005	53 Weeks Ended January 31, 2004
SALES	\$ 788,693	\$ 782,720
Cost of sales, selling and administrative expenses	(712,087)	(709,894)
Net earnings before amortization, interest and income taxes	76,606	72,826
Amortization	(23,905)	(22,401)
	52,701	50,425
Interest, including interest on long-term debt of \$4,821 (2003 \$5,495)	(5,761)	(6,299)
	46,940	44,126
Provision for income taxes	(9,675)	(8,396)
NET EARNINGS FOR THE YEAR	37,265	35,730
Retained earnings, beginning of year as previously reported	61,679	52,165
Accounting changes	-	(1,144)
Retained earnings as restated	98,944	86,751
Distributions	(28,384)	(25,072)
RETAINED EARNINGS, END OF YEAR	\$ 70,560	\$ 61,679
NET EARNINGS PER UNIT		Φ 004
Basic Diluted	\$ 2.34 \$ 2.32	\$ 2.24 \$ 2.22

All financial data was summarized from and should be read in conjunction with the audited consolidated financial statements included in the Management's Discussion & Analysis and Consolidated Financial Statements report which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

# **Consolidated Statements** of Cash Flows

(\$ in thousands)	52 Weeks Ended January 29, 2005	53 Weeks Ended January 31, 2004
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings for the year	\$ 37,265	\$ 35,730
Non-cash items		
Amortization	23,905	22,401
Future income taxes	636	2,789
Pension (credit) expense	(352)	(637)
Amortization of deferred financing costs	186	186
Loss (Gain) on disposal of property	4.450	(4.500
and equipment	1,158	(1,583
Cash flow from operations	62,798	58,886
Change in other non-cash items	(13,873)	7,894
Operating activities	48,925	66,780
Investing Activities		
Purchase of property and equipment	(22,323)	(33,273
Proceeds from disposal of property		
and equipment	694	3,070
Investing activities	(21,629)	(30,203
Financing Activities		
Change in bank advances and short-term notes	1,885	2,475
Net purchase of units for unit purchase loan plan	(779)	(285
Repayment of long-term debt	(4,486)	(1,952
Distributions	(29,105)	(30,639
Financing activities	(32,485)	(30,401
NET CHANGE IN CASH	(5,189)	6,176
Cash, beginning of year	16,627	10,451
CASH, END OF YEAR	\$ 11,438	\$ 16,627
Supplemental disclosure of cash paid for:		
Interest expense	\$ 6,076	\$ 6,410
Income taxes	7,453	4,513

All financial data was summarized from and should be read in conjunction with the audited consolidated financial statements included in the Management's Discussion & Analysis and Consolidated Financial Statements report which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

### **Eleven-Year Financial Summary**

Fiscal Year	2004		2003		2002		2001		2000	
(\$ in thousands)	52 weeks		53 weeks		52 weeks		52 weeks		52 weeks	
Consolidated Statements of Earnings										
Sales—Canadian Operations	\$ 629,822	\$	615,661	\$	565,747	\$	532,349	\$	502,756	
Sales—Alaskan Operations	158,871		167,059		184,012		171,694		156,276	
Sales—Total	788,693		782,720		749,759		704,043		659,032	
Trading Profit (EBIUTDA) 1—Canadian Operations	62,629		57,663		59,163		60,337		54,534	
Trading Profit (EBIUTDA) —Alaskan Operations	13,977		15,163		13,108		10,198		9,352	
Trading Profit (EBIUTDA) -Total Operations	76,606		72,826		72,271		70,535		63,886	
Amortization—Canadian Operations	19,977		18,413		18,976		19,301		18,568	
Amortization—Alaskan Operations	3,928		3,988		3,696		3,393		2,987	
Amortization—Total	23,905		22,401		22,672		22,694		21,555	
Unusual item	-		-		-		-		-	
Interest	5,761		6,299		6,681		10,501		13,236	
Income tax provision (recovery)	9,675		8,396		8,449		8,325		961	
Net earnings (loss)	37,265		35,730		34,469		29,015		28,134	
Cash flow from operations	62,798		58,886		59,184		55,773		47,782	
Distributions/Dividends paid during the year	29,105		30,639		25,157		21,375		21,446	
Cash flow from operations after distributions/dividends	33,693		28,247		34,027		34,398		26,336	
Capital expenditures	22,323		33,273		20,128		20,427		19,133	
Net change in cash	(5,189)		6,176		475		1,388		(1,567)	
Consolidated Balance Sheets										
Current assets	\$ 207,642	\$	196,830	\$	209,900	\$	219,956	\$	192,250	
Property and equipment	186,104	٥	192,395	Ф	188,194	Ф	194,025	ā	194,448	
Other assets	11,959		12,153		100,194		9,836		10,055	
Future income taxes	7,932		8,222		9,322		9,836		19,212	
Current liabilities	87,444		83,140		91,995		204,017		100,886	
Long-term debt and other liabilities	89,908		97,982		106,812		9,634		124,106	
Equity	236,285		228,478		219,384		219,524		190,973	
* *	200,200		220,410		210,004		213,024		130,313	
Consolidated per Unit/Share (\$)					0.45		4.05		4.00	
Net earnings (loss) before unusual item—basic  Net earnings (loss)—diluted	\$ 2.34 2.32	\$	2.24	\$	2.15 2.14	\$	1.95 1.95	\$	1.89 1.89	
Trading profit <sup>2</sup>									4.29	
**	4.81		4.57		4.51		4.74			
Cash flow from operations <sup>2</sup>	3.95 1.80		3.69 1.90		3.70 1.56		3.74 1.46		3.21 1.44	
Distributions paid in cash during the year Distributions paid in units during the year	0.00		0.00		0.00		0.00		0.00	
Dividends paid in cash during the year	0.00		0.00		0.00		0.00		0.00	
Cash flow from operations after cash distributions/dividends <sup>2</sup>	2.15		1.79		2.14		2.28			
Equity at end of fiscal year (basic units outstanding)	2.15 14.86		14.34		13.76		13.61		1.77 13.00	
Market price at January 31	30.65		23.63		20.70		17.20		13.00	
· · · · · · · · · · · · · · · · · · ·	30.00		23.03		20.70		17.20		13.00	
Statistics at Year End										
Number of stores—Canadian	158		156		154		153		153	
Number of stores—Alaskan	25		25		25		24		24	
Selling square feet (000's) end of year—Canadian Stores	1,093		1,106		1,070		1,050		1,019	
Selling square feet (000's) end of year—Alaskan Stores	255		254		245		244		238	
Sales per average selling square foot—Canadian	\$ 573	\$	566	\$	534	\$	515	\$	499	
Sales per average selling square foot—Alaskan	\$ 624	\$	669	\$	752	\$	712	\$	661	
Number of employees—Canadian Operations	4,830		4,552		4,270		4,015		3,822	
Number of employees—Alaskan Operations	692		736		657		690		655	
Average units/shares outstanding (000's)	15,918		15,940		16,007		14,896		14,875	
Units/Shares outstanding at end of fiscal year (000's)	15,900		15,933		15,948		16,126		14,691	
Units/Shares traded during the year (000's)	7,393		7,207		7,617		4,776		4,843	
Financial Ratios										
Trading profit 1 (%)	9.7		9.3		9.6		10.0		9.7	
EBIUT 3 (%)	6.7		6.4		6.6		6.8		6.4	
Total return on net assets before unusual item (%)	14.8		14.1		13.4		12.7		11.5	
Return on average equity before unusual item (%)	16.2		16.0		15.8		14.9		15.2	
Debt-to-equity	.51:1		.56:1		.62:1		.69:1		.92:1	
Distributions/Dividends as % of cash flow from operations	46.3		52.1		42.5		38.3		44.9	
Inventory turnover (times)	4.2		4.1		3.7		3.3		3.3	

<sup>1</sup> Earnings before interest, unusual item, taxes and amortization 2 Based on average basic units outstanding 3 Earnings before interest, unusual item and taxes

Fiscal Year	1994		1995	1996	1997		1998	1999	
(\$ in thousands)	52 weeks		52 weeks	52 weeks	53 weeks		52 weeks	52 weeks	
Consolidated Statements of Earnings									
Sales—Canadian Operations	470,890	\$	470,306	\$ 474,465	\$ 497,997	\$	494,023	\$ 478,508	\$
Sales—Alaskan Operations	115,352		121,728	116,118	118,713		135,095	147,961	
Sales—Total	586,242		592,034	590,583	616,710		629,118	626,469	
Trading Profit (EBIUTDA)1—Canadian Operations	48,760		47,451	57,198	53,478		55,736	51,075	
Trading Profit (EBIUTDA) 1—Alaskan Operations	1,877		580	2,159	3,620		6,304	8,881	
Trading Profit (EBIUTDA) 1—Total Operations	50,637		48,031	 59,357	57,098		62,040	59,956	
Amortization—Canadian Operations	10,377		12,535	14,181	15,525		16,739	17,287	
Amortization—Alaskan Operations	1,828		2,636	1,968	1,986		2,470	2,860	
Amortization—Total	12,205		15,171	16,149	17,511		19,209	20,147	
Unusual item Interest	40.470		16,129	- 44.040	40.000		20,000	44.704	
Income tax provision (recovery)	10,472 11,721		12,548 9,355	11,843 13,507	12,298 6,252		13,714 (7,028)	11,701 151	
Net earnings (loss)	16,239		(5,172)	17,858	21,037		16,145	27,957	
* * * *				 					
Cash flow from operations	26,173		23,966	30,587	35,992		52,110	44,854	
Distributions/Dividends paid during the year	6,304		6,466	6,094	8,925		18,750	21,600	
Cash flow from operations after distributions/dividends	19,869		17,500	24,493	27,067		33,360	23,254	
Capital expenditures  Net change in cash	58,476 (683)		29,745 (1,285)	22,994 (1,759)	28,818 6,967		18,328 1,260	22,777 (1,481)	
	(003)		(1,200)	(1,739)	0,907		1,200	(1,401)	
Consolidated Balance Sheets									
Current assets	204,253	\$	185,932	\$ 184,836	\$ 213,659	\$	174,137	\$ 176,164	\$
Property and equipment	179,822		179,651	184,268	198,074		197,310	195,429	
Other assets	8,359		10,364	14,632	13,403		13,045	12,351	
Future income taxes	(10,930)		(9,587)	(8,570)	(9,102)		2,919	3,593	
Current liabilities	135,591		83,671	92,585	121,398		90,723	92,486	
Long-term debt and other liabilities	85,939		142,736	135,228	134,476		132,571	125,146	
Equity	159,974		139,953	147,353	160,160		164,117	169,905	
Consolidated per Unit/Share (\$)	4.00						4.00	4.00	
Net earnings (loss) before unusual item—basic	1.00	\$	0.68	\$ 1.18	\$ 1.40	\$	1.82	\$ 1.86	\$
Net earnings (loss)—diluted Trading profit <sup>2</sup>	1.00		(0.32)	1.18	1.40		1.08	1.86	
7.	3.13				3.81			4.00	
Cash flow from operations <sup>2</sup>	1.62		1.49	2.03	2.40		3.47	2.99	
Distributions paid in cash during the year	0.00		0.00	0.00	0.40		1.00	1.44	
Distributions paid in units during the year Dividends paid in cash during the year	0.00		0.00	0.00	0.00		0.25	0.00	
Cash flow from operations after cash distributions/dividends <sup>2</sup>	1.23		1.09	1.63	1.80		2.47	1.55	
Equity at end of fiscal year (basic units outstanding)	9.90		9.02	9.82	10.68		10.94	11.33	
Market price at January 31	9.88		8.00	11.00	14.00		15.60	12.00	
	5.00		0.00	 11.00	14.00		13.00	12.00	
Statistics at Year End				400	400		454	450	
Number of stores—Canadian Number of stores—Alaskan	164		161	160	163		151	153	
	28		28	27	28		23	25	
Selling square feet (000's) end of year—Canadian Stores	1,004		1,009	1,026	1,063		990	998	
Selling square feet (000's) end of year—Alaskan Stores	223	_	223	229	227	•	229	235	
Sales per average selling square foot—Canadian	482	\$	467	\$ 466	\$ 477	\$	481	\$ 481	\$
Sales per average selling square foot—Alaskan	622 3,728	\$	545 3,779	\$ 513 3,725	\$ 520 4,004	\$	592 3,823	\$ 638 3,787	\$
Number of employees—Canadian Operations Number of employees—Alaskan Operations	640		704	645	685		635	655	
Average units/shares outstanding (000's)	16,164		16,040	15,095	15,000		15,000	15,000	
							15,000	15,000	
Units/Shares outstanding at end of fiscal year (000's) Units/Shares traded during the year (000's)	16,164 3,691		15,519 5,873	15,000 6,862	15,000 6,195		4,606	2,795	
	3,091		3,073	 0,002	0,155		4,000	2,755	
Financial Ratios	0.0		0.4	10.1	0.0		0.0	0.0	
Trading profit 1 (%) EBIUT 3 (%)	8.6 6.6		8.1 5.6	10.1 7.3	9.3 6.4		9.9 6.8	9.6 6.4	
Total return on net assets before unusual item (%)	12.4		9.8	13.4	11.4		12.1	11.6	
Return on average equity before unusual item (%)	10.6		7.0 1.27:1	12.7	13.9 1.26:1		17.6 1.06:1	16.8	
Debt-to-equity Distributions/Dividends as % of cash flow from operations	1.10:1			1.19:1			36.0	1.01:1	
Inventory turnover (times)	24.1 2.8		27.0 2.8	19.9 3.0	24.8 3.0		36.0	48.2 3.4	
inventory turnover (times)	2.0		2.8	 3.0	3.0		J. I	3.4	

<sup>1</sup> Earnings before interest, unusual item, taxes and amortization 2 Based on average basic units outstanding 3 Earnings before interest, unusual item and taxes

### Independence & Integrity— Adhering to the NWF Tradition of Strong Values

The Company has a system of corporate governance, as summarized below, which is in compliance with the quidelines set out by the Toronto Stock Exchange.

The mandate of the Board is to supervise the management of the business and the affairs of the Company, to act in the Company's best interest and to exercise the care, skill and diligence that a reasonably prudent preson would exercise in comparable circumstances. In fulfilling its mandate, the Board is responsible for, among other things, the following:

- 1. The adoption of a strategic planning process:
- Identification of the principal risks of the Company's business and ensuring the implementation of the appropriate systems to manage these risks:
- Succession planning, which includes appointing, training and monitoring senior management;
- Ensuring that an effective unitholder and investor relations communications program is in place;
- 5. The integrity of internal controls and management information systems; and
- The review and evaluation of operations, results and action plans, and the assessment of the performance of the chief executive officer.

Complete disclosure of North West Company Fund'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 North West Company's website at www.northwest.ca.



"Board members have always governed themselves with the independence and integrity that one would expect from the NWF tradition for adhering to its strong values."







#### THE NORTH WEST COMPANY INC. OFFICERS

(NOT SHOWN)

lan Sutherland Chairman

Edward S. Kennedy President & CEO

■ LEFT TO RIGHT

Léo P. Charrière Executive Vice-President, CFO & Secretary

Karen J. Milani

Vice-President, Human Resources

Carl A. McKay Scott A. McKay

Executive Vice-President, Northern Canada Retail

Vice-President & General Manager, Giant Tiger West Retail

▲ LEFT TO RIGHT

Leonard G. Flett (FRONT)

Vice-President, Store Development & Public Affairs

Scott F. Findlay

Vice-President & General Manager, Food Procurement & Wholesaling

Kenneth M. Claudel

Vice-President, Logistics & Supply Chain Services

Gerald L. Mauthe

Vice-President, Information Services

#### NORTH WEST COMPANY FUND OFFICERS

Edward S. Kennedy President & CEO

Léo P. Charrière Executive Vice-President, CFO & Secretary

Reinhard Sedlacek

Treasurer

PRINCIPAL SUBSIDIARY COMPANY NWC (U.S.) HOLDINGS INC.

#### PRINCIPAL SUBSIDIARY COMPANY OF NWC (U.S.) HOLDINGS INC

ALASKA COMMERCIAL COMPANY

LEFT TO RIGHT ►

Edward S. Kennedy 1,2 (FRONT) Chairman & CEO

Gerald H. Bittner<sup>1</sup>

Rex A. Wilhelm 1, 2

President

Léo P. Charrière 1,2 (NOT SHOWN) CFO & Secretary

Reinhard Sedlacek<sup>2</sup> (NOT SHOWN) Treasurer

LEFT TO RIGHT ▼

Henry J. Baldwin II2 (FRONT)

Vice-President, Human Resources & Logistics

Rex A. Wilhelm 1, 2

President

Robert S. Galosich<sup>2</sup>

Vice-President, Wholesale Operations

Benjamin C. Piatt<sup>2</sup> Vice-President, Marketing

Walter E. Pickett<sup>2</sup>

Vice-President, Store Operations

R. Grant Hodge 1 (NOT SHOWN) Advisor, Store Operations

1 DIRECTOR 2 OFFICER





# NWC Directors & NWF Trustees

THE NORTH WEST COMPANY INC. DIRECTORS

Edward S. Kennedy
Donald A. Beaumont
Frank J. Coleman 3.4
Robert J. Kennedy 2.3
Gary J. Lukassen 2.3
Keith G. Martell 1.2

NORTH WEST COMPANY FUND TRUSTEES

lan Sutherland Kevin R. Bolt

- 1 Corporate Governance & Nominating
- 2 Aud
- 3 Human Resources & Compensatio
- 1 Paneior



LEET TO RIGH

Ian Sutherland 60. Chairman of the Board of NWC since 1997; CEO of NWC from 1993 to 1997.
For most of his career, he has been an officer of MCAP line, and its predicessor The Mutual Trust Company, Direction, MCAP line, MCAP Commercial Limited Partnership, Clearlink Capital Corporation, Strongco Inc. and Transport Nanuk Inc. NWC Director since he participated in the founding of the Company and the purchase of Northern Stores from the Hudson's Bay Company in 1987. NWF Trustee since 1997.

Donald A. Beaumont 70 President of Beaumont & Associates Retail Consultants since 1996; President and CEO of Kmart Canada Ltd. from 1991 to 1996. Advisory Board of Communitech Inc. NWC Directors ince 1998.

Kevin R. Bolt 52 Partner at Alkins, MacAulay & Thorvaldson since 1998; Senior Partner at Pitblado & Hoskin from 1985 to 1998. NWF Trustee since 1997.

Edward S. Kennedy 45 (NOT SHOWN) President and CEO of NWC and Chairman and CEO of the Alaska Commercial Company (AC) since 1997; Executive Vice-President of NWC and Chairman and CEO of AC from 1995 to 1997; Executive Vice-President and COO of NWC from 1993 to 1995; Vice-President of Corporate Development, Coursel and Secretary of NWC from 1989 to 1993. Director, Selmoral Hall School, Alaska Commercial Company, Transport Nanuk Inc. and Northwest Transport Ltd. NWC Director since 1909.



Robert J. Kennedy 55 CEO, WiBand Communications Corp. since 1999; Worldwide Business Development Executive of the IBM Corporation from 1997 to 1999; CEO and founder of PBSC Computer Training Centres from 1985 to 1997; CEO and founder of ComputerLand Western Canada from 1978 to 1987. Director, Jazz Golf Equipment Inc. NWO Director since 2003.

H. Sanford Riley 54 President and CEO of Richardson Financial Group Limited since 2003; Chairman of Investors Group Inc. from 2001 to 2003; President and CEO of Investors Group Inc. from 1992 to 2001. Charcellor of the University of Winnipeg; Chairman, University of Winnipeg Foundation. Director, Molsoon Coors Brown Common and James Richardson & Sons affiliated companies. MWC Director since 2003.

Gary J. Lukassen 61 Executive Vice-President and Chief Financial Officer of the Hudson's Bay Company (HBC) from 1989 until his retirement in 2001; Director of the HBC from 1987 to 2001; Senior Vice-President, Finance and Administration of the HBC from 1987 to 1989. Director, Stelco Inc., Abitibi Consolidated inc. and Spinrite Income Fund. MWC Director since 1987.

Frank J. Coleman 51 President and CEO of the Coleman Group of Companies since 1989.

Director, Fishery Products International, Canadian Council of Grocery Distributors and United Grocers Inc.

NWC Director since 1999.



David G. Broadhurst 63 President of Poynton Investments Limited; President and COO of Reeve Court Insurance Limited (Bermuda) from 1998 to 2001; Investment Banker with First Marathon Securities Limited from 1996 to 1998; previously spent his entire career with PriceWaterhouse Canada retiring in 1996 as the Senior Tax Partner. Director, MCAP Inc. and Getroo Inc. IMP. Trustee since 1997.

James G. Oborne 63. After 25 years as an Investment Dealer working in research, corporate finance, sales and branch management with two national films, he has been Chairman of the Westgate Capital Group and Managing Partner of the Vision Capital Fund IP since 1990. Chairman, the University of Winnipeg Pension Committee. Director, Jazz Golf Equipment Inc., Faneull Group Inc. and MDS Capital Corporation. NWC Director since 1987.

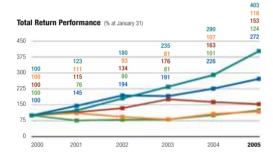
Keith E. Martell 42. Chairman of the First Nations Bank of Canada since 1997; Esecutive Director of Finance of the Federation of Saskathewan Indian Nations from 1994 to 1997; Chartered Accountant with KPMG from 1985 to 1994. Director, Saskatchewan Institute of Applied Sciences and Technology, Public Sector Persion Investment Board of Canada, Sr. Paul's Hisspital Foundation, Flying Dust First Nation TLE Titust and Primoso Lake Settlement Trust. MN/C Director since 2000.

### **Unitholder Information**

#### **Quarterly History**

Fiscal Year	Unit Price High	Unit Price Low	Unit Price Close	Volume	EPU *
2004	\$ 31.74	\$ 23.10	\$ 30.65	7,392,594	\$ 2.32
April 30, 2004	25.25	23.20	23.30	2,712,528	0.40
July 31, 2004	26.34	23.10	23.61	1,607,521	0.58
October 31, 2004	27.00	23.50	26.60	1,443,974	0.68
January 31, 2005	31.74	26.21	30.65	1,628,571	0.66
2003	\$ 25.50	\$ 20.87	\$ 23.63	7,206,507	\$ 2.22
April 30, 2003	23.00	20.87	22.70	1,346,702	0.35
July 31, 2003	24.10	22.75	23.90	1,903,368	0.55
October 31, 2003	25.45	22.50	23.98	2,190,157	0.66
January 31, 2004	25.50	23.60	23.63	1,766,280	0.66
2002	\$ 21.03	\$ 16.95	\$ 20.70	7,616,932	\$ 2.14
April 30, 2002	19.45	16.95	19.35	2,546,262	0.39
July 31, 2002	20.44	18.01	19.70	1,734,717	0.57
October 31, 2002	20.99	18.60	20.35	1,887,953	0.55
January 31, 2003	21.03	19.51	20.70	1,448,000	0.63

<sup>\*</sup> Net earnings per unit on a diluted basis



This chart illustrates the relative performance of units of North West Company Fund over the past five years. The index incorporates the reinvestment of dividends and income distributions.

- NWF.UN
- TSX Composite
- Consumer Durables/Apparel Group
- Retailing Group
- Food/Staples Retailing Group

#### 2005 Financial Calendar Reporting Dates

First Quarter: June 9, 2005 Second Quarter: September 8, 2005 Third Quarter: December 8, 2005 Fourth Quarter: March 16, 2006

#### North West Company Fund Distribution Dates

Record and Payable Date: March 31, 2005 Distributable Date: April 15, 2005

Record and Payable Date: June 30, 2005 Distributable Date: July 15, 2005

Record and Payable Date: September 30, 2005 Distributable Date: October 15, 2005

Record and Payable Date: December 31, 2005 Distributable Date: January 15, 2006

#### **Annual and Special Meeting**

The Annual and Special Meeting of Unitholders of North West Company Fund will be held on Thursday, June 9, 2005 at 11:30 am in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard. Winnipea. Manitoba.

#### **Transfer Agent and Registrar**

CIBC Mellon Trust Company Winnipeg and Toronto Toll-free: 1 800 387 0825 www.cibcmellon.ca

#### Stock Exchange Listing

The Toronto Stock Exchange

#### Stock Symbol NWF.UN

TIN #: T 17 685 782 CUSIP #: 662906-10-6

Number of units outstanding at fiscal year end on a diluted basis: 16,126,000

Average number of units outstanding in 2004 on a diluted basis: 16,126,000

#### **Auditors**

PricewaterhouseCoopers LLP

#### Bankers

The Toronto-Dominion Bank Bank of Montreal

For additional copies of this report or for general information about the Fund or the Company, contact our Assistant Corporate Secretary, Reinhard Sedlacek. Dial Direct: 204 934 1525

Fax: 204 934 1455

Email: rsedlacek@northwest.ca Corporate Website: www.northwest.ca

#### RETAIL BANNERS



**133 Stores** Northern is a combination food and general merchandise store format located in remote, northern Canadian communities.



24 Stores AC Value Centers are retail outlets offering food and general merchandise to communities throughout rural Alaska



**5 Stores** The NorthMart format is targeted at larger, regional markets and offers an expanded selection of fresh food and fashion merchandise.



**7 Stores** Quickstop convenience stores offer prepared foods, petroleum products and a full convenience assortment with a selection carefully tailored to local needs.



**10 Stores** Giant Tiger stores are operated under a master franchise agreement. Giant Tiger is a leading Canadian junior discount retailer



Each year more than 240,000 copies of the Selections catalogue are distributed across northern Canada featuring everything from quitars and snowmobiles to computers

#### WHOLESALE DIVISIONS



Frontier Expeditors is one of the leading distributors of food and general merchandise to independent grocery stores in rural Alaska.



Crescent Multi Foods is a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario

THE NORTH WEST COMPAN

**3 Branches** These stores offer native handicrafts and authentic Canadian heritage products, as well as wild furs.

INUIT ART MARKETING SERVICE

Canada's largest distributor of Inuit art offers an outstanding selection of carvings to galleries and boutiques



Our purpose is to enhance peoples' lives by offering them shopping choices that are more convenient, more affordable, more dependable or more lifestyle appropriate compared to any other retailer.









The North West Company Inc. Gibraltar House, 77 Main Street Winnipeg, Manitoba Canada R3C 2R1 T: 204 943 0881 Toll-free: 1 800 563 0002 Corporate Website: www.northwest.ca