

NORTH WEST COMPANY FUND 2007

Management's Discussion & Analysis and Consolidated Financial Statements

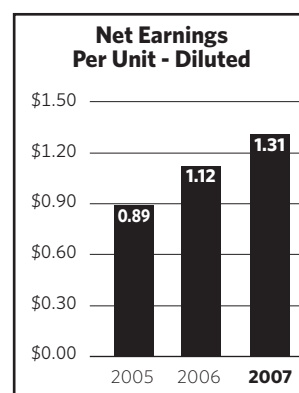
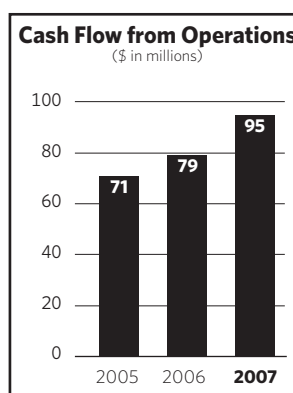
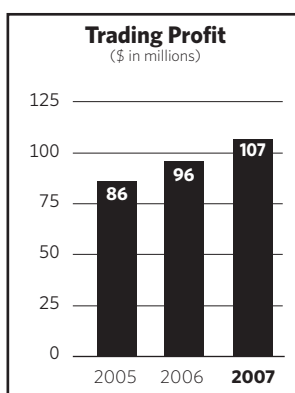
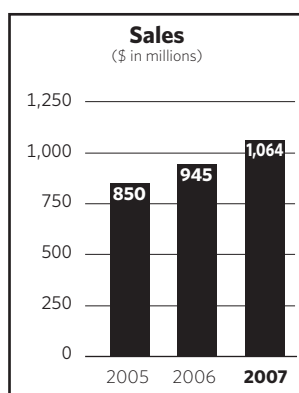


ENTERPRISING · SINCE 1668

Financial Highlights

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

| (\$ in thousands, except per unit information) | 365 Days Ended January 31, 2008 | 368 Days Ended January 31, 2007 | 364 Days Ended January 28, 2006 |
|---|--|------------------------------------|------------------------------------|
| RESULTS FOR THE YEAR | | | |
| Sales | \$ 1,064,490 | \$ 944,924 | \$ 849,653 |
| Same store sales % increase ¹ | 6.7% | 5.8% | 5.4% |
| Trading profit ² (earnings before interest, income taxes and amortization) | \$ 106,557 | \$ 96,369 | \$ 85,502 |
| Earnings before interest and income taxes ² (EBIT) | 79,607 | 70,197 | 60,489 |
| Net earnings | 62,991 | 53,660 | 42,890 |
| Cash flow from operations ² | 94,739 | 78,753 | 70,856 |
| FINANCIAL POSITION | | | |
| Total assets | \$ 529,670 | \$ 441,869 | \$ 423,849 |
| Total debt | 159,833 | 107,503 | 111,673 |
| Total equity | 256,301 | 252,030 | 242,573 |
| FINANCIAL RATIOS | | | |
| Debt-to-equity | .62:1 | .43:1 | .46:1 |
| Return on net assets ³ | 21.0% | 19.7% | 16.6% |
| Return on average equity | 24.9% | 21.7% | 18.0% |
| PER UNIT (\$) - DILUTED ⁴ | | | |
| Trading profit | \$ 2.20 | \$ 1.99 | \$ 1.77 |
| Net earnings | 1.31 | 1.12 | 0.89 |
| Cash flow from operations | 1.96 | 1.63 | 1.46 |
| Equity-net book value | 5.55 | 5.45 | 5.22 |
| Cash distributions paid during the year | 1.13 | 0.80 | 0.63 |
| Market price - January 31 | 18.42 | 16.41 | 12.50 |
| - high | 22.68 | 18.50 | 12.83 |
| - low | 15.01 | 10.64 | 8.88 |



1 Same store sales, excluding the foreign exchange impact, on an equivalent year basis

2 See Non-GAAP measures section on page 20

3 Earnings before interest and income taxes as a percent of average net assets employed

4 All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006

Management's Discussion & Analysis and Consolidated Financial Statements

TABLE OF CONTENTS

Management's Discussion & Analysis

| | |
|---|----|
| Forward-Looking Statements | 2 |
| Vision and Core Businesses | 3 |
| Strategies | 4 |
| Key Performance Drivers and Capabilities to Deliver Results | 4 |
| Changes During Year | 5 |
| Consolidated Results | 6 |
| Canadian Operations | 8 |
| International Operations | 10 |
| Consolidated Liquidity and Capital Resources | 11 |
| Quarterly Financial Information..... | 14 |
| Disclosure Controls | 15 |
| Internal Controls over Financial Reporting | 15 |
| Outlook | 15 |
| Risk Management | 16 |
| Critical Accounting Estimates | 18 |
| Accounting Standards Implemented in 2007 | 19 |
| Future Accounting Standards..... | 20 |
| Non-GAAP Measures | 20 |
| Eleven-Year Financial Summary | 22 |

Consolidated Financial Statements

| | |
|---|----|
| Management's Responsibility for Financial Statements | 24 |
| Auditor's Report | 24 |
| Consolidated Balance Sheets | 25 |
| Consolidated Statements of Earnings & Retained Earnings | 26 |
| Consolidated Statements of Comprehensive Income | 26 |
| Consolidated Statements of Cash Flows | 27 |
| Notes to Consolidated Financial Statements | 28 |

| | |
|-------------------------------------|----|
| Unitholder Information | 40 |
|-------------------------------------|----|

| | |
|-----------------------------------|----|
| Corporate Governance | 41 |
|-----------------------------------|----|

Unless otherwise stated, this Management's Discussion & Analysis (MD&A) for The North West Company Fund ("NWF" or "Fund") and its subsidiaries (collectively, "North West Company", the "Company", "North West", or "NWC") is based on the financial information included in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements on pages 24 to 39 which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are in Canadian dollars. The information contained in this MD&A is current to March 19, 2008, unless otherwise stated.

Forward-Looking Statements This Management's Discussion & Analysis (MD&A), contains forward-looking statements about the North West Company Fund, 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 or growth rates), ongoing business strategies or prospects, and possible future Fund action, 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 Fund, 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 Fund 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 Fund'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. 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 Fund, including our Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

Management's Discussion & Analysis

VISION AND CORE BUSINESSES

Strong Values, Solid Returns The North West Company (NWC or North West) is a leading retailer of food and everyday products and services to rural communities and urban neighbourhood markets in the following regions: northern Canada, western Canada, rural Alaska, the South Pacific and the Caribbean.

Our core strengths center on our ability to adapt our store product mix to each market we serve; our logistics expertise in moving product to, and operating stores within, remote or difficult to serve locations; our knowledge in serving indigenous and lower-income customers and our ability to apply these strengths to serve customers within complementary niche markets.

Our purpose is to enhance lives by offering shopping choices that are convenient, dependable and lifestyle driven. In striving to fulfill this purpose, we aim to:

- Continually enhance our strengths to maximize and sustain our long-term profitability through existing and related new growth opportunities;
- Actively support the communities in which we operate, contributing to their long-term development;
- Foster a spirit of enterprise and growth for our people, within a work environment characterized by respect, openness, encouragement, learning, innovation and reward for performance;
- Deliver stable, top-quartile total returns to our unitholders; and
- Demonstrate integrity in all facets of our business.

North West owns a rich enterprising legacy as one of the largest continuing retail enterprises in the world.

The Largest "Small Market" Retailer North West is a leading small market retailer with operations across northern and western Canada, rural Alaska, the South Pacific and the Caribbean. Our stores offer a broad range of retail 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 owns a rich enterprising legacy as one of the longest continuing retail enterprises in the world, with many of our stores in northern Canada and Alaska having continuously served their communities for almost 340 years. Today these northern stores operate in communities with populations from 500 to 7,000. A typical store is 7,500 square feet in size and offers food, family apparel, housewares, appliances, outdoor products, and services such as quick-service prepared food, special ordering, money transfers and cheque cashing.

We have also applied our expertise and infrastructure to new markets. These include the expansion of wholesaling to independent stores, opening junior discount stores in rural communities and urban neighbourhoods in western Canada and our recent acquisition of Cost-U-Less, Inc. (CUL), a chain of mid-size warehouse format stores serving the South Pacific and the Caribbean.

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

Canadian Operations

- **131 Northern** stores, offering a combination of food and general merchandise to northern Canadian communities;
- **27 Giant Tiger** junior discount stores offering family fashion, household products and food at convenient locations in Manitoba, Saskatchewan, Alberta and British Columbia;
- **6 NorthMart** stores, targeted at larger, regional markets and offering an expanded selection of fashion merchandise and fresh food;
- **10 Quickstop** convenience stores, offering prepared foods, petroleum products and a full convenience assortment;
- **Crescent Multi Foods (CMF)**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- **3 North West Company Fur Marketing** outlets, offering Aboriginal handicrafts and authentic Canadian heritage products, as well as wild furs; and
- **The Inuit Art Marketing Service**, Canada's largest distributor of Inuit art.

International Operations

- **29 AC Value Centers**, formats similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across rural Alaska;
- **3 Quickstop** convenience stores, offering prepared foods, petroleum products and a full convenience assortment;
- **Frontier Expeditors (FE) and Span Alaska (Span)**, both distributors of food and general merchandise to independent grocery stores in rural Alaska; and
- **12 Cost-U-Less (CUL)**, mid-size warehouse format stores in remote island communities in the South Pacific, Hawaii and the Caribbean.

STRATEGIES

The Company's long-range plans are typically developed in five-year cycles and are reviewed and adjusted through an annual operating plan. The most recent long-range plan was completed in 2004 and sets out key strategies together with operating and financial goals.

The Company's first strategic priority is to ensure that its existing retail store base continues to deliver both stability and growth in earnings. Second, we apply our core strengths to take advantage of major new service, product and market opportunities.

Our store banners have produced consistent profit improvement over the past 10 years. Food market share and margin rates have increased through better sourcing, through more store-branded products that offer a value alternative to national brands and by building on our store-level capability with training, new technology and best practices. We have also pursued new product and service opportunities such as financial services, fuel and pharmacies. New store growth has been achieved through expansion into southeast Alaska, western Canada and through our recent acquisition of Cost-U-Less.

Being able to cater to local markets better than our competition is a key strength and ongoing strategy for North West. Store management selection and development, store-level merchandise ordering and community relations, and profit-sharing incentive plans are all ingredients of the model we have built to support this strategy. We believe that continued enhancement of our localization skills, while still ensuring that we leverage our scale, is an essential component in meeting the unique customer needs within each market we serve.

Our food merchandising strategy for 2008 will focus on more new items, special buys and price leadership to ensure that we are the first shopping choice in this core area of our business. In general merchandise the priority continues to be leadership through our unique local product offering, ranging from big-ticket products like furniture and transportation in our northern store banners to on-trend fashion apparel at our Giant Tiger stores. At store level we have several more years of opportunity to improve capability through investments in technology, improvements in work methods and by upgrading the skills of our store teams.

Our store network provides us with the financial resources, stability and knowledge to pursue expansion into related markets, products and services. Recent examples are the

We place a heavy weighting on new ideas, clear principles, execution and the ability to track performance.

expansion of retail fuel outlets at our Northern and NorthMart banner stores, the roll-out of Giant Tiger stores in western Canada and the acquisition of Cost-U-Less. We attempt to ensure that the risk/return profile of these ventures will be close to that of our existing store base. This requires looking at the long-term potential of a new venture or major new product or service and the probability of achieving threshold returns on a sustainable, consistent basis. We place a heavy weighting on new ideas, clear principles, execution and the ability to track performance.

Our wholesaling expansion plans are currently focused on Frontier Expeditors (FE) and Span Alaska Enterprises, Inc. (Span) in Alaska. With the acquisition of Span in March, 2008 we have doubled our size and now have a leading market position as a one-stop, full-line food and general merchandise distributor serving rural Alaskan independent stores. Span also provides us with an entry into consumer-direct food distribution. In Canada we continue to build, at a slower pace, our ability to serve the western Canadian independent wholesale market.

KEY PERFORMANCE DRIVERS AND CAPABILITIES TO DELIVER RESULTS

The ability to protect and enhance the profitability of our mature store locations. These stores represent more than 80% of our profitability. Although we expect this percentage to diminish over the next five years as we expand the number of new stores in new markets and grow our wholesale businesses, our existing northern markets will be the core performance drivers over this period.

Our distribution payout guideline ensures that we have adequate capital to sustain our existing store base and to pursue growth opportunities. Our sustaining investments include non-capital expenditures specifically, improvements to our in-store capabilities through more in-depth training programs and the ongoing implementation of "best practice" work processes. Sustaining our existing store performance of consistent growth also depends on continuing to enhance our market share position while maintaining margin rate gains. We measure and track our sales performance by sales per capita, unit volume growth, transaction size, private label penetration and net contribution by merchandise or service category after all activity-related costs.

The ability to tailor our product/service mix, community support and store associate employment experience to each market we serve while still realizing the scale efficiencies of our size or the size of our alliance partners. This is our localization strategy. 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 continue the successful roll-out of new

stores. Over the past three fiscal years we opened or acquired 37 new stores. This rate will likely slow over the next three years but new stores will still remain an important part of our revenue growth. Our success depends on being able to continue finding viable locations and to integrate and accelerate the full contribution potential of all new stores. Other success factors include achieving product sourcing and operating and transportation cost advantages comparable to our existing stores, while building strong, entrepreneurial store teams.

Our ability to achieve best selling practices and reinforce community relations in our remote stores.

Enhancing store capability is an ongoing priority that aligns with our goal of being as localized as possible with each of our retail banners. We have invested in new store technology platforms and we have built a solid base of best practice work methods. We continue to modify store processes to fully leverage our technology, specifically in the areas of communications, merchandise ordering, staff scheduling and training. Amid increasingly tight labour markets, management and staff recruitment and development will accelerate, concentrating on upgrading manager skills and improving recruitment. The latter initiative recognizes the important role played by our store managers compared to other retail store models and the fact that the remoteness of our store locations creates challenges in attracting and keeping talented people. Related to this is our ongoing ability to develop local management and to foster positive community relationships especially within the indigenous markets we serve.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to order and sell merchandise.

A key goal is to shift more staff time and skill towards ordering and selling merchandise tailored to the unique markets we serve while reducing costs in the non-selling facets of store work. Cost savings are continually targeted at labour scheduling, energy usage and product 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. For example, under our alliance with Dufresne Furniture and Appliances of Winnipeg, Dufresne manages product assortment, marketing and distribution for the furniture and appliance categories in our Northern and NorthMart store banners. This has given us access to expertise and buying power and has allowed us to reduce inventories. 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.

CHANGES DURING YEAR

Change in fiscal year In 2006, the Fund adopted a fixed fiscal year end of January 31 compared to the last Saturday in January used in prior years. Accordingly, the year ended January 31, 2008 ("2007") has 365 days of operations compared to 368 days of operations for the year ended January 31, 2007 ("2006"). All references to 2006 same store sales in the Management's Discussion & Analysis have been reported on an equivalent year basis.

Reorganization When the North West Company Fund was established in 1997, it invested in the operating company, The North West Company Inc., in the form of loans and preferred shares. Interest on the loans paid to the Fund reduced the taxable earnings of the operating company to a nominal level. As the earnings in the operating company increased, the preferred shares were converted to loans which increased the amount of interest paid to the Fund. In the past few years the earnings in the operating company exceeded the interest paid to the Fund and therefore the increases in earnings were fully taxable. On April 30, 2006, the Company completed the first step of the reorganization whereby the majority of the Canadian business assets were transferred to a limited partnership (LP). As a result of the limited partnership structure, most of the earnings growth over the 2005 levels flowed to the Fund on a more tax-efficient basis than in prior years.

On June 5, 2007, the Company completed the second step of its reorganization. The second step of the reorganization changed the flow of the earnings from the limited partnership to the Fund. The partnership units held by The North West Company Inc. were transferred to the Fund through a series of steps outlined in the April 21, 2006 Information Circular. These changes have resulted in most of the Canadian pre-tax earnings flowing to the Fund.

Business acquisition On December 13, 2007, the Fund acquired through its U.S. subsidiary all of the issued and outstanding shares of Cost-U-Less, Inc. (CUL), a leading operator of 12 mid-size warehouse format stores in remote island communities in the South Pacific and the Caribbean. The results of CUL are included in the consolidated financial statements of the Fund from December 13, 2007 forward. CUL and Alaska Commercial Company are the operating entities that comprise our International operations.

Consolidated Results

2007 Highlights

- Sales increased 12.7% to \$1.064 billion, led by a strong general merchandise sales increase of 15.7% and a food sales increase of 11.9%.
- Trading profit increased 10.6% to \$106.6 million reflecting our strong sales growth.
- Return on net assets improved to 21.0%, our seventh consecutive year of improving asset productivity.
- Return on equity improved to 24.9%, as a result of earnings growth.
- Total returns to investors were 19% after a 39% total return in 2006.
- On December 13, 2007, the Fund acquired Cost-U-Less, Inc. (CUL), the operator of 12 mid-size warehouse format stores in remote island communities in the South Pacific, Hawaii and the Caribbean.

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 unit) | 2007 | 2006 | 2005 |
|---|--------------|------------|------------|
| Sales | \$ 1,064,490 | \$ 944,924 | \$ 849,653 |
| Same store sales % increase ¹ | 6.7% | 5.8% | 5.4% |
| Trading profit ² | \$ 106,557 | \$ 96,369 | \$ 85,502 |
| Net earnings | \$ 62,991 | \$ 53,660 | \$ 42,890 |
| Net earnings per unit—basic ³ | \$ 1.32 | \$ 1.13 | \$ 0.90 |
| Net earnings per unit—diluted ³ | \$ 1.31 | \$ 1.12 | \$ 0.89 |
| Cash distributions in the year ³ | \$ 1.13 | \$ 0.80 | \$ 0.63 |
| Total assets | \$ 529,670 | \$ 441,869 | \$ 423,849 |
| Return on net assets ⁴ | 21.0% | 19.7% | 16.6% |
| Return on average equity | 24.9% | 21.7% | 18.0% |

1 Same store sales excluding the foreign exchange impact

2 See Non-GAAP measures section on page 20

3 Per unit information has been restated to reflect the September 20, 2006 three-for-one unit split

4 Earnings before interest and income taxes as a percentage of average net assets employed

Consolidated Sales

Sales for the year ending January 31, 2008 ("2007") increased 12.7% to \$1.064 billion compared to \$944.9 million for the year ending January 31, 2007 ("2006"). The 2007 year had 365 days of operations compared to 368 days of operations in 2006 as a result of changing the year end from the last Saturday in January to January 31. On an equivalent year basis, sales increased 13.3% and were up 14.5% excluding the foreign exchange impact. Same store sales increased 5.4% and were up 6.7% excluding the foreign exchange impact.

Food sales increased 11.9% over 2006 as a result of new stores and strong same store sales growth. Same store food sales excluding the foreign exchange impact increased 6.4% over last year with quarterly same store increases of 7.0%, 8.5%, 5.4%, and 4.9%. Canadian food sales increased 9.7% and International food sales were up 28.9% excluding the foreign exchange impact.

General merchandise sales increased 15.7% over 2006 with all banners contributing to the sales gains. Same store general merchandise sales excluding the foreign exchange impact increased by 7.4% with quarterly same store sales increases of 2.7%, 4.2%, 2.6% and a fourth quarter increase of 16.7%. The same store sales growth in the fourth quarter benefited from merchandise programs targeted at higher consumer incomes related to increased resource industry activity, an increase in discretionary spending related to the Indian Residential School Settlement payments in Canada and an increase in the Permanent Fund Dividend in Alaska.

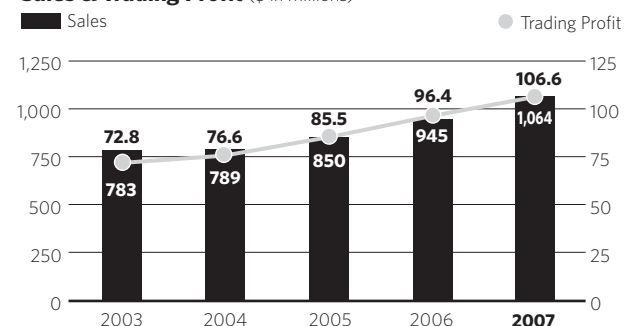
Other revenue which includes gas, fur and service charge revenue increased 6.3% over 2006 largely due to growth in gas sales.

Canadian sales accounted for 80.1% of total sales (81.4% in 2006) while International contributed 19.9% (18.6% in 2006). The Canadian dollar's appreciation versus the U.S. dollar in 2006 affected results as follows:

Sales decrease of \$12.4 million or 1.3%
 Trading profit decrease of \$1.3 million
 Net earnings decrease of \$617,000

Over the past two years, the appreciation of the Canadian dollar negatively impacted sales by \$23.0 million, trading profit by \$2.1 million and net earnings by \$1.0 million.

Sales & Trading Profit (\$ in millions)



Cost of sales, selling and administrative Cost of sales, selling and administrative expenses (expenses) increased 12.9% to \$957.9 million and increased 19 basis points as a percentage of sales. New and non-comparable store expenses accounted for approximately 72% of the increase. Comparable expenses increased \$32.2 million but decreased 61 basis points as a percentage of sales. Costs related to recruitment, training and retention of store employees in Canada, higher freight and continuing energy related cost pressures in our remote U.S. and Canadian stores were the leading factors contributing to the increase in expenses. The increase in expenses was partially offset by higher store staff productivity, lower debt loss expense and higher financial services revenues in the Canadian operations. The 2006 non-comparable expense of US\$1.4 million for an employee housing benefit assessment in the International operations also offset part of the increase.

Amortization Amortization expense increased \$778,000 or 3.0% to \$27.0 million from 2006. The increase is due to the acquisition of CUL and higher capital expenditures compared to last year.

Interest expense Interest expense increased 9.1% to \$7.5 million compared to \$6.8 million last year. The increase in interest expense was due to higher average debt levels compared to last year. The average cost of borrowing on interest-bearing debt was 5.9% compared to 6.3% in 2006.

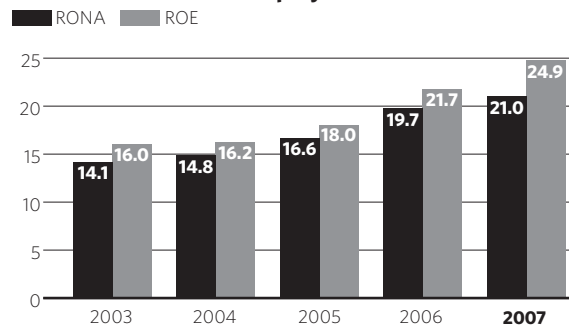
Income tax expense The provision for income taxes decreased 5.6% to \$9.2 million compared to \$9.7 million in 2006, for an effective tax rate of 12.7% in 2007 compared to 15.3% in 2006. The decrease in the effective tax rate is due to the full year impact of the limited partnership (LP) structure implemented April 30, 2006 and the completion of the internal reorganization on June 5, 2007. The reorganization changes the flow of earnings from the limited partnership to the Fund such that the majority of the Canadian operations pre-tax earnings now flow to the Fund. The reduction in income tax expense as a result of the reorganization of the Canadian operations was partially offset by an increase in income tax in our International operations due to higher earnings.

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.

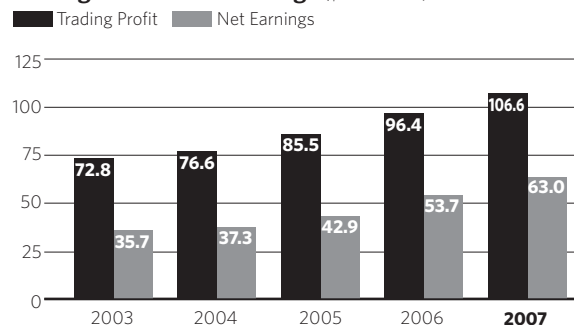
A more detailed explanation of the income tax provision and future tax assets is provided in Note 13 to the consolidated financial statements.

Net earnings Consolidated net earnings increased 17.4% to \$63.0 million or \$1.31 per unit on a diluted basis compared to \$1.12 per unit in 2006. The impact of the stronger Canadian dollar reduced net earnings by \$617,000 or \$0.01 per unit. Return on net assets employed increased to 21.0% from 19.7% in 2006 while return on equity improved to 24.9% from 21.7% in 2006. Return on net assets improved primarily due to the increase in EBIT.

Return on Net Assets & Equity (%)



Trading Profit & Net Earnings (\$ in millions)



Canadian Operations

2007 CANADIAN OPERATIONS STRATEGIC INITIATIVES

Strategy #1

General Merchandise Ordering Proficiency

Result

This strategy was partly successful with an increase in sales, gross margin improvement and a reduction in inventory weeks on hand in the Northern stores. The Giant Tiger stores experienced a more difficult environment impacting results in the last half of the year. More specific results are as follows:

- Same store general merchandise sales increased 7.3%.
- Gross margin rate was consistent with last year. Northern store margin rate improved by 32 basis points notwithstanding a change in sales mix to lower margin categories. Giant Tiger margin rates decreased due to higher markdown activity to clear excess inventories.
- General merchandise weeks on hand in the Northern stores decreased to 20 weeks from 24 weeks.

Strategy #2

Addition of five in-store pharmacies

Result

Four in-store pharmacies were added in 2007.

Strategy #3

Recruit 40 MITs (Managers-in-Training)

Result

Hired 38 Managers-in-Training and 26 Department Managers-in-Training.

Strategy #4

Open eight new stores in Canada

Result

Opened nine new stores in Canada; seven new Giant Tiger stores, one Northern store and a convenience store.

Strategy #5

Complete five major store replacements or additions

Result

Completed six store replacements or additions in Canada.

Strategy #6

Launch long-term store renewal program

Result

Completed five store and Quickstop renewals.

Financial Performance Results of Canadian operations are summarized below by the key performance indicators used by management.

Key Performance Indicators

| (\$ in thousands) | 2007 | 2006 | 2005 |
|-----------------------------------|------------|------------|------------|
| Sales | \$ 852,773 | \$ 769,633 | \$ 689,340 |
| Same store sales % increase | 6.9% | 5.9% | 5.4% |
| Trading profit ¹ | \$ 87,410 | \$ 81,730 | \$ 70,561 |
| EBIT ¹ | \$ 64,776 | \$ 59,482 | \$ 49,458 |
| Return on net assets ² | 20.8% | 20.2% | 16.4% |

1 See Non-GAAP measures section on page 20

2 2006 Return on net assets is 19.8% excluding the impact of the four additional days of operations

Sales Canadian sales increased 10.8% to \$852.8 million compared to \$769.6 million in 2006 and were up 11.4% on an equivalent year basis. Same store sales increased 6.9% compared to a 5.9% increase in 2006. Canadian food sales accounted for 67.5% (68.2% in 2006) of total sales. The balance was made up of general merchandise sales at 28.2% (27.2% in 2006) and other sales, which consists primarily of fuel sales and service charge revenue at 4.3% (4.6% in 2006).

Food sales increased by 9.7% over 2006 and were up 10.4% on an equivalent year basis. Food sales were strong in the first half of year with quarterly same store sales increases of 7.7% and 9.4% but moderated in the last two quarters of the year with increases of 5.3% and 4.8% as a result of increased discount food competition facing our stores in urban and less remote locations. On an annual basis, same store food sales increased 6.8% compared to 7.3% in 2006. Food sales were strong in most categories with grocery, beverages, snack foods and tobacco contributing the largest gains. New items and our continued focus on store brands and special buy items were factors in driving category sales growth. Inflation, driven by food cost increases and higher fuel-related transportation costs in northern Canada also contributed to the increase in food sales.

General merchandise sales increased 14.8% over 2006 and were up 15.3% on an equivalent year basis. Same store sales increased 7.3% compared to an increase of 2.5% in 2006. Quarterly same store sales increases were 2.3%, 5.1% and 1.1% in the first three quarters and jumped to 17.0% in the fourth quarter due to the increase in discretionary spending related to the Indian Residential School Settlement payments. Sales gains in electronics, transportation and home furnishings categories largely driven by higher discretionary spending in the fourth quarter offset the deflationary pricing impact of merchandise purchased in U.S. dollars and slower new store sales growth.

Other revenues, which include gas, fur and service charge revenues, were up 3.7% over 2006 primarily due to the growth in gas sales from existing and new gas bars.

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

| | 2007 | 2006 | 2005 |
|---------------------|-------|-------|-------|
| Food | 67.5% | 68.2% | 68.3% |
| General merchandise | 28.2% | 27.2% | 27.2% |
| Other | 4.3% | 4.6% | 4.5% |

Same Store Sales The Canadian operations have consistently achieved industry-leading same store food sales while same store general merchandise sales have been consistent with overall industry performance. Fiscal 2007 was an exception in which same store general merchandise sales were industry leading. Same store sales for the past three years are shown in the following table:

Same Store Sales

| (% change) | 2007 | 2006 | 2005 |
|---------------------|-------------|------|------|
| Food | 6.8% | 7.3% | 6.2% |
| General merchandise | 7.3% | 2.5% | 3.4% |
| Total sales | 6.9% | 5.9% | 5.4% |

Canadian sales per selling square foot after adjusting for new stores were \$631 compared to \$612 on an equivalent year basis in 2006.

Profitability Gross profit dollars for Canadian operations increased by 7.6% as sales growth more than offset a 92 basis point decrease in gross profit rates. The decrease in the gross profit rate was largely due to higher sales growth in low margin categories such as electronics and transportation, higher markdowns in apparel categories and more aggressive pricing in staple food categories such as bread and dairy. Operating expenses were up 8.0% over 2006 but were down 58 basis points as a percentage of sales compared to last year. New stores accounted for approximately 68% of the increase in operating expenses. Higher staff costs related to recruitment and retention of store employees and energy-related cost pressures in remote markets also contributed to the increase in operating expenses but were partially offset by staff productivity gains in the second half of the year, lower debt loss expenses and higher revenues from financial services.

Trading profit from Canadian operations increased \$5.7 million or 7.0% to \$87.4 million and was up 7.9% on an equivalent year basis. As a percentage of sales, trading profit was 10.3% compared to 10.6% in 2006.

Operational Net Assets Employed Operational net assets employed at January 31, 2008, increased 0.9% to \$280.6 million compared to \$278.2 million at January 31, 2007 as summarized in the following table:

Operational Net Assets Employed

| (\$ millions at the end of the fiscal year) | 2007 | 2006 | 2005 |
|---|-----------------|----------|----------|
| Property and equipment | \$ 165.0 | \$ 150.9 | \$ 145.6 |
| Inventory | 113.2 | 106.2 | 105.9 |
| Accounts receivable | 55.8 | 60.6 | 60.1 |
| Other assets | 18.9 | 27.8 | 25.9 |
| Liabilities | (72.3) | (67.3) | (57.4) |
| Total | \$ 280.6 | \$ 278.2 | \$ 280.1 |

Property and equipment balances increased reflecting the opening of nine new stores, new gas bars and pharmacies, and the replacement of six stores in existing markets.

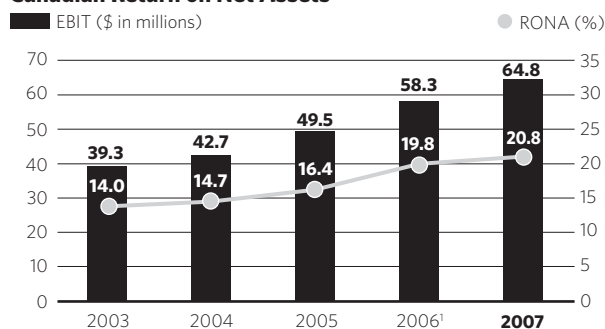
Inventory increased from the prior year primarily due to new stores and the opening of a new third-party managed distribution center in Calgary, Alberta. Higher freight costs imbedded in ending inventory also contributed to the increase.

Accounts receivable averaged \$1.6 million lower than last year, our second consecutive year of improving accounts receivable productivity. The decrease is due to a higher volume of cash sales, larger cash down payments on big-ticket purchases and ongoing collection efforts.

Other assets decreased largely due to a decrease in cash due to the timing of deposits in transit and an increase in outstanding cheques related to the timing of payments of trade payables. The increase in liabilities over the prior year is due to higher trade accounts payable and an increase in accrued expenses from the prior year.

Return on Net Assets The return on net assets employed for Canadian operations was 20.8%, up from 20.2% (19.8% on an equivalent year basis) in 2006. The 8.9% increase in EBIT from the prior year was the primary reason for the improvement in return on net assets. Working capital productivity will receive more attention in 2008 as we focus on improving inventory turnover through targeted reductions in general merchandise inventory. The discontinuance of *Selections* catalogues in favour of smaller, more frequent direct-order catalogues will contribute to improved inventory productivity in 2008.

Canadian Return on Net Assets



¹ EBIT and Return on net assets on an equivalent year basis

International Operations

(Stated in U.S. dollars)

International operations include Alaska Commercial Company and Cost-U-Less, Inc. (CUL) which was acquired on December 13, 2007.

2007 ALASKAN OPERATIONS STRATEGIC INITIATIVES

Strategy #1

Best Practice Training

Result

The process to implement Best Practice training was delayed due to the CUL acquisition. Best Practice training will begin in 2008.

Strategy #2

Implementation of new food purchasing practices

Result

Conversion to a new food distributor was completed in the first quarter of 2007. Stores had to modify their purchasing to improve gross profit. Food gross profit rate improved 66 basis points.

Strategy #3

New business growth

Result

Cost-U-Less, Inc., was acquired on December 13, 2007 and the purchase of Span Alaska Enterprises, Inc. was completed March 3, 2008.

Strategy #4

Open two new stores

Result

A building was acquired in Guam in January, 2008 and will be remodelled and opened by late 2008. No new stores were opened in Alaska.

Strategy #5

Launch long-term store renewal program

Result

Completed one store and Quickstop renewal.

Financial Performance International operations results for the year are summarized below by the key performance indicators.

Key Performance Indicators

| (\$ in thousands) | 2007 | 2006 | 2005 |
|-----------------------------------|------------|------------|------------|
| Sales | \$ 199,714 | \$ 154,237 | \$ 133,018 |
| Same store sales % increase | 5.6% | 4.8% | 5.7% |
| Trading profit ¹ | \$ 18,062 | \$ 12,881 | \$ 12,397 |
| EBIT ¹ | \$ 13,991 | \$ 9,428 | \$ 9,153 |
| Return on net assets ² | 21.7% | 17.1% | 17.7% |

1 See Non-GAAP measures section on page 20

2 2006 Return on net assets is 19.2% excluding the impact of the \$1.4 million IRS housing benefit assessment and the impact of the four additional days of operations

Sales International sales increased 29.5% to \$199.7 million compared to \$154.2 million in 2006 and were up 30.1% on an equivalent year basis largely due to the acquisition of Cost-U-Less, Inc. on December 13, 2007. Same store sales increased 5.6% compared to 4.8% increase in 2006. Food sales accounted for 80.9% (81.3% in 2006) of total sales with the balance comprised of general merchandise at 17.6% (17.5% in

2006) and other sales, which consists primarily of fuel sales and service charge revenues, at 1.5% (1.2% in 2006).

Food sales increased 28.9% over 2006 and were up 29.5% on an equivalent year basis. Same store food sales were up 4.8% compared to a 4.9% increase in 2006. On a quarterly same store basis, food sales increased 3.4%, 4.4%, 5.9%, and 5.5%. All categories contributed to the increase in food sales with beverages, chilled foods, grocery and non-food categories providing the largest gains over the prior year.

General merchandise sales increased 30.1% and were up 30.5% on an equivalent year basis. On an annual basis, general merchandise same store sales were up 8.8% compared to 4.3% in 2006. Sales were strong throughout the year with the exception of the second quarter which was negatively impacted by soft sales in electronics and transportation categories. Quarterly same store sales increased 7.0% in the first quarter, decreased 2.4% in the second quarter and increased 14.6% in the third and fourth quarters. General merchandise sales were strong in most categories with home furnishings, transportation, toys and seasonal categories generating the largest increases over last year.

Other revenues, which consist of gas and service charge revenue were up 61.7% over 2006 due to the addition of a gas kiosk.

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

| | 2007 | 2006 | 2005 |
|---------------------|-------|-------|-------|
| Food | 80.9% | 81.3% | 80.4% |
| General merchandise | 17.6% | 17.5% | 18.3% |
| Other | 1.5% | 1.2% | 1.3% |

Same store sales for the past three years are shown in the following table:

Same Store Sales

| (% change) | 2007 | 2006 | 2005 |
|---------------------|------|------|------|
| Food | 4.8% | 4.9% | 6.8% |
| General merchandise | 8.8% | 4.3% | 1.2% |
| Total sales | 5.6% | 4.8% | 5.7% |

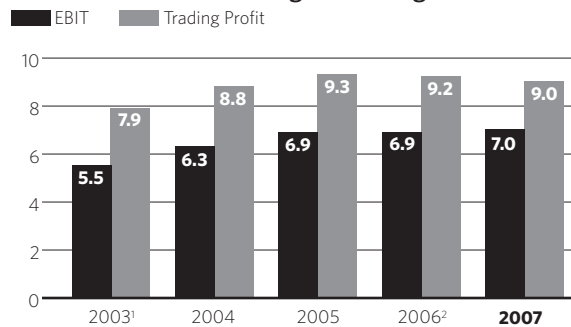
International sales per selling square foot after adjusting for new stores was \$570 compared to \$488 on an equivalent year basis in 2006.

Profitability Gross profit dollars increased 22.6% from 2006 driven by sales growth as gross profit rates were down 177 basis points from last year. The decrease in the gross profit rate is due to the impact of the lower gross profit structure at CUL. Operating expenses increased 16.3% over last year but were down 271 basis points as a percent of sales. CUL accounted for a substantial portion of the increase in operating expenses. Higher staff and energy-related expenses also contributed to the increase in operating expenses. Partially offsetting the increase in operating expenses is a \$600,000 gain on the disposition

Consolidated Liquidity and Capital Resources

of shares in Associated Grocers, a cooperative wholesale distributor. Operating expenses in 2006 included a \$1.4 million provision for an Internal Revenue Service (IRS) assessment relating to housing benefits provided to certain employees. The decrease in operating expenses as a percentage to sales is due to the non-comparable adjustments related to the gain and last year's IRS housing benefit assessment and the positive impact of CUL's lower operating cost structure. Trading profit increased 40.2% to \$18.1 million compared to \$12.9 million in 2006. On an equivalent year basis, excluding the CUL acquisition and the non-comparable adjustments, trading profit increased 15.1% and as a rate of sales was 9.7% compared to 8.9% in 2006.

International EBIT & Trading Profit Margins (% of sales)



1 Excludes gains from insurance proceeds

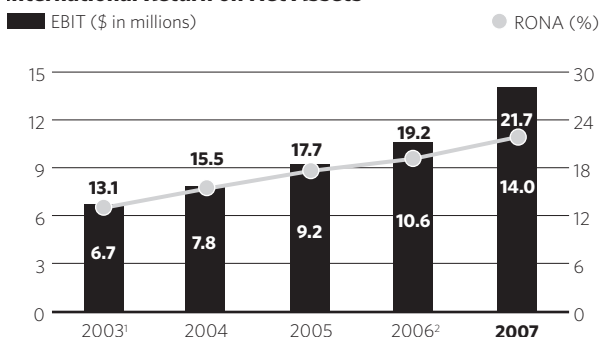
2 Equivalent year basis excluding \$1.4 million IRS housing benefit assessment

Operational Net Assets Employed

| (\$ millions at the end of the fiscal year) | 2007 | 2006 | 2005 |
|---|----------------|----------------|----------------|
| Property and equipment | \$ 62.8 | \$ 32.8 | \$ 31.8 |
| Inventory | 49.2 | 18.9 | 16.2 |
| Accounts receivable | 6.9 | 7.3 | 6.4 |
| Other assets | 12.8 | 4.3 | 4.1 |
| Liabilities | (37.0) | (8.8) | (6.6) |
| Total | \$ 94.7 | \$ 54.5 | \$ 51.9 |

International operational net assets employed increased 73.8% from the previous year substantially due to the acquisition of CUL (see Note 21 to the consolidated financial statements).

International Return on Net Assets



1 Excludes gains from insurance proceeds

2 Equivalent year basis excluding \$1.4 million IRS housing benefit assessment

The following table summarizes the major components of cash flow:

| (\$ in thousands fiscal year ended January 31) | 2007 | 2006 | Change |
|--|-------------|-------------|-------------|
| Cash flows from (used in): | | | |
| Operating activities | \$ 93,591 | \$ 81,486 | \$ 12,105 |
| Investing activities | \$ (98,118) | \$ (35,476) | \$ (62,642) |
| Financing activities | \$ 1,116 | \$ (45,798) | \$ 46,914 |

Cash from operating activities Cash flow from operating activities increased \$12.1 million to \$93.6 million driven by earnings growth of \$9.3 million, an increase of 17.4% from last year's earnings.

Changes in non-cash working capital items contributed \$742,000 in cash compared to \$3.8 million in 2006. The decreased cash contribution from non-cash working capital is due to increases in inventories largely as a result of new stores.

Cash used in investing activities Net cash used in investing activities was \$98.1 million in 2007 compared to \$35.5 million in 2006. Net investing in Canadian operations was \$36.8 million (\$28.8 million in 2006). Net investing in International operations was \$61.3 million (\$6.7 million in 2006) including the acquisition of Cost-U-Less, Inc. of \$54.3 million.

Capital expenditures in Canadian operations included nine new stores, the replacement of six stores in existing markets, the opening of gas bars and pharmacies, store renovations, equipment replacements, and investments in technology and support facilities. In addition to the Cost-U-Less acquisition, capital expenditures in International operations included the purchase of a store in Guam which is undergoing renovations and is expected to open in late 2008, as well as store renovations and equipment replacements.

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 | |
|--------------------------|------------------|------------|------------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Northern | 130 | 130 | 757,370 | 763,294 |
| NorthMart | 6 | 5 | 144,501 | 125,084 |
| Quickstop | 13 | 13 | 23,176 | 21,651 |
| Giant Tiger | 26 | 19 | 428,478 | 303,103 |
| AC Value Centers | 29 | 29 | 300,876 | 300,876 |
| Cost-U-Less | 12 | - | 379,416 | - |
| Other formats | 4 | 4 | 24,123 | 22,558 |
| Total at year end | 220 | 200 | 2,057,940 | 1,536,566 |

A Northern store in Cross Lake was converted to the NorthMart banner and a Northern store was opened in Tsiigehtchic, Northwest Territories. A new Quickstop convenience store was acquired in Pangnirtung, Nunavut replacing a smaller Quickstop convenience store that was closed. New Giant Tiger stores were opened in Regina, Lloydminster and Saskatoon, Saskatchewan, Winnipeg, Manitoba, Cranbrook, British Columbia and in

Lethbridge and Edmonton, Alberta. Total selling square feet in Canada increased to 1,368,277 from 1,225,825 in 2006.

International selling square feet increased to 689,663 from 310,741 in 2006 due to the acquisition of Cost-U-Less, Inc.

Net capital expenditures for 2008 are expected to be in the range of \$49 million to \$53 million reflecting the planned opening of six new stores, major renovation activity in seven stores, new gas bars, pharmacy openings, system upgrades, expansion of our wholesale business and a head office renovation project.

Cash used in financing activities Cash provided from financing activities was \$1.1 million compared to cash used in financing activities of \$45.8 million in 2006. The Fund paid distributions of \$54.7 million or \$1.13 per unit, an increase of 41.3% compared to \$38.7 million or \$0.80 per unit last year. The decrease in bank advances and short-term notes is due to the transfer of the majority of the credit lines to long-term debt as a result of the renegotiation of the credit lines from a demand facility to a committed facility. Additional loans authorized by the Board of Trustees during the year under the Company's Unit Purchase Loan Plan, net of repayments, was \$849,000 compared to \$1.5 million in 2006. The Fund paid a return of capital to unitholders of \$72,000 in connection with the internal reorganization of the Fund completed June 5, 2007.

Sources of liquidity In January 2008, the Company arranged for new bank loan facilities. The Canadian operation has available three year extendible, committed, revolving loan facilities of \$140.0 million. These facilities are secured by a floating charge on the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at Bankers Acceptance rates plus stamping fees ranging from 50 to 90 basis points or the Canadian prime rate. At January 31, 2008 the Company had drawn \$41.9 million on these facilities.

The Company's International operation has available three year extendible, committed, non-revolving loan facilities of US\$52.0 million. These facilities are secured by a floating charge against the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at London Interbank Offered Rate (LIBOR) plus stamping fees ranging from 50 to 90 basis points or the US prime rate. At January 31, 2008, the Company had drawn US\$52.0 million on these facilities. The International operation also has available demand revolving loan facilities of US\$21.0 million at interest rates of LIBOR plus 1.75% or US prime minus 0.25%. These loans are secured by a floating charge against accounts receivable and inventories of the International operations. At January 31, 2008, the Company had US\$4.3 million in bank advances and short-term notes drawn on these facilities.

The Company has senior notes outstanding of US\$52.0 million at a rate of 5.89%. A principal repayment of US\$13.0 million is due on June 15, 2008 with the balance due on June 15, 2009.

The Company has entered into interest rate and cross-currency swaps. At January 31, 2008 the Company has a cross-currency interest rate swap of US\$7.0 million converted to a Canadian dollar-floating obligation at the Canadian Banker's

Acceptance three-months rate plus 2.99% and another US\$2.0 million converted by a cross-currency interest rate swap to a Canadian dollar-floating obligation at the Canadian Banker's Acceptance three-months rate plus 3.16%. The remaining US\$43.0 million has been designated as a hedge against the U.S. dollar investment in self-sustaining International operations. Of this amount, there is US\$29.0 million of the senior notes at a fixed interest rate of 5.89% and US\$14.0 million converted by an interest rate swap from fixed to floating rates at three-month London Interbank Offered Rate (LIBOR) plus 1.87%. For more information on the senior notes and swaps see Note 8 and Note 19 to the consolidated financial statements.

The coverage ratio of EBIT to interest improved to 10.6 times from 10.3 times in 2006. The coverage ratio improved due to the increase in EBIT.

Interest Costs and Coverage

| | 2007 | 2006 | 2005 |
|---------------------------|------|------|------|
| Coverage ratio | 10.6 | 10.3 | 9.9 |
| EBIT (\$ in millions) | 79.6 | 70.2 | 60.5 |
| Interest (\$ in millions) | 7.5 | 6.8 | 6.1 |

The bank 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, 2008, the Fund 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 | 5 Years+ |
|--|-------------------|------------------|-------------------|------------------|------------------|
| Long-term debt (including capital lease obligations) | \$ 155,497 | \$ 18,633 | \$ 134,947 | \$ 1,319 | \$ 598 |
| Operating leases | 141,966 | 19,087 | 29,861 | 24,262 | 68,756 |
| Other obligations ¹ | 7,516 | 7,516 | - | - | - |
| Total | \$ 304,979 | \$ 45,236 | \$ 164,808 | \$ 25,581 | \$ 69,354 |

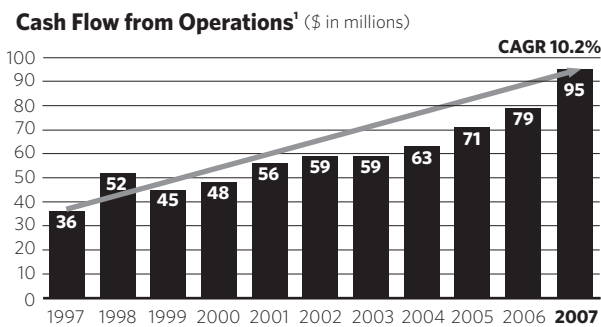
¹ On March 3, 2008, the Company acquired all of the issued and outstanding shares of Span Alaska Enterprises, Inc., a food and general merchandise distributor serving wholesale customers in rural Alaska, for US\$6.3 million in cash consideration plus up to US\$1.2 million in contingent cash consideration

Director and Indemnification Agreements The Company has agreements with its current and former directors 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' 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.

Cash flow from operations and unutilized credit available on existing credit facilities are expected to be sufficient to fund operating requirements, sustaining and growth-related capital expenditures, a long-term debt principal repayment due June 15, 2008 as well as anticipated distributions during 2008.

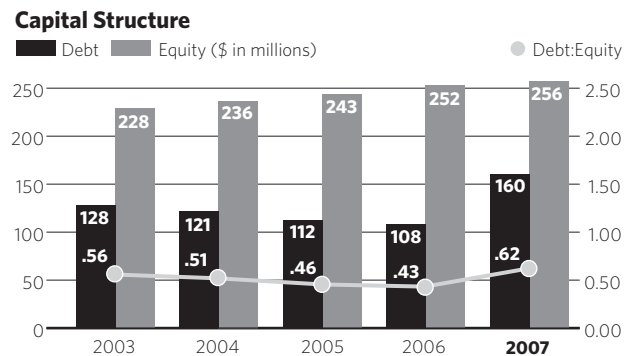
The compound annual growth rate (CAGR) for cash flow from operations over the past 10 years is 10.2% as shown in the following graph:



¹ See Non-GAAP measures section on page 20

Capital Structure

On a consolidated basis, NWF had \$159.8 million in debt and \$256.3 million in equity at the end of the year and a debt-to-equity ratio of .62:1 compared to .43:1 last year. The increase in the debt-to-equity ratio is largely due to additional debt incurred for the acquisition of Cost-U-Less.



The strength of the Fund's capital structure is reflected in the preceding chart. Over the past five years, NWF's debt-to-equity ratio has ranged from .43:1 to .62:1 while annual cash distributions to unitholders have increased to \$1.13 from \$0.60 over the same period. Equity has increased 12.2% to \$256.3 million over the past five years and interest-bearing debt has increased to \$159.8 million from \$127.9 million in 2003.

Over the past five years, loans made to officers and selected senior management under the unit purchase loan plan have increased from \$3.7 million in 2004 to \$12.3 million in 2007. These loans are long-term incentives that align management with investors with respect to the sustained yield and growth components of the Company's total-return performance. The loans are non-interest bearing and repayable from the after-tax distributions or if the officer sells the units or leaves the Company. The loans are secured by a pledge of 677,197 units of the Company with a quoted value at January 31, 2008 of \$12.5 million. Loans receivable at January 31, 2008 of \$12.3 million (\$11.5 million in 2006) are recorded as a reduction of equity. The maximum value of the loans under the plan is currently limited to \$15.0 million.

Consolidated debt at January 31, 2008 increased \$52.3 million or 48.7% to \$159.8 million. The increase in debt is largely due to additional financing to fund the acquisition of Cost-U-Less. The debt outstanding at the end of the fiscal year is summarized as follows:

Debt

| (\$ in thousands at the end of the fiscal year) | 2007 | 2006 | 2005 |
|---|-------------------|-------------------|-------------------|
| Senior notes | \$ 57,292 | \$ 84,780 | \$ 83,412 |
| Revolving loan facilities | 41,919 | - | - |
| Non-revolving loan facilities | 52,114 | - | - |
| Bank advances and short-term notes | 4,336 | 21,581 | 27,041 |
| Notes payable | 1,726 | - | - |
| Capital leases | 2,446 | 1,142 | 1,220 |
| Total | \$ 159,833 | \$ 107,503 | \$ 111,673 |

The Fund has an unlimited number of units authorized and had issued and outstanding units at January 31, 2008 of 48,378,000 (48,378,000 as at January 31, 2007). Further information on the Fund's capital is provided in Note 10 to the consolidated financial statements.

Book value per unit, on a diluted basis, at the end of the year increased to \$5.55 from \$5.45 in 2006. Book equity was positively impacted by an increase in retained earnings of \$7.3 million (\$10.1 million in 2006) after distributions of \$55.6 million (\$43.5 million in 2006).

Unitholder Distributions The Fund paid distributions of \$54.7 million or \$1.13 per unit, an increase of 41.3% compared to last year. On March 19, 2008, the Trustees declared an increase in the Fund's quarterly distribution of 18.5% to \$0.32 per unit to unitholders of record on March 31, 2008, distributable by April 15, 2008.

The determination to declare and make payable distributions from the Fund is subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees. The Fund's distribution policy is to make distributions to unitholders equal to the taxable income of the Fund. Historically, distributions from the Fund represented taxable income and did not include a return of unitholder capital. Management believes distributions in 2008 will continue to represent taxable income.

In determining the quarterly distributions, the Trustees consider, among other factors, the seasonal variations in earnings inherent in the retail industry in order to maintain stable distributions throughout the year. On an annual basis, distributions are funded by cash flow from operations. Due to the seasonal nature of the retail business, whereby income and cash flow is historically lower in the first quarter and higher in the fourth quarter, distributions in a quarter may exceed cash flow from operations. The taxable income of the Fund is 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 may be declared to unitholders if the taxable income of the Fund exceeds the cumulative distributions for the year. A special distribution of \$0.12 per unit was paid February 22, 2008 to unitholders of record on December 31, 2007.

QUARTERLY FINANCIAL INFORMATION

In the 2006 fourth quarter the Company changed its year end from the last Saturday in January to January 31 and adopted a fixed calendar quarter end beginning in 2007. As a result of this change, the number of days of operations in each quarter in 2007 was different from 2006. On an annual basis, 2007 had 365 days of operations compared to 368 days of operations in 2006. The chart below reflects the number of days in each quarter.

| Days in quarter | Q1 | Q2 | Q3 | Q4 | Total |
|-----------------|----|----|----|----|-------|
| 2007 | 89 | 92 | 92 | 92 | 365 |
| 2006 | 91 | 91 | 91 | 95 | 368 |

Historically, the Company's first quarter sales are the lowest and fourth quarter sales are the highest, reflecting the Christmas selling period. Weather conditions are often more extreme compared to other retailers and can affect sales in any quarter. Net earnings are historically lower in the first quarter due to lower sales. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to meet competitive pressures to reduce excess inventories.

The following is a summary of selected quarterly financial information.

| (\$ thousands) | Q1 | Q2 | Q3 | Q4 | Total |
|----------------------------------|------------|------------|------------|------------|--------------|
| Sales | | | | | |
| 2007 | \$ 234,351 | \$ 256,414 | \$ 255,715 | \$ 318,010 | \$ 1,064,490 |
| 2006 | \$ 213,691 | \$ 232,642 | \$ 236,082 | \$ 262,509 | \$ 944,924 |
| Trading profit | | | | | |
| 2007 | \$ 21,602 | \$ 25,985 | \$ 27,454 | \$ 31,516 | \$ 106,557 |
| 2006 | \$ 20,189 | \$ 24,430 | \$ 25,604 | \$ 26,146 | \$ 96,369 |
| Net earnings | | | | | |
| 2007 | \$ 10,807 | \$ 14,846 | \$ 18,480 | \$ 18,858 | \$ 62,991 |
| 2006 | \$ 9,767 | \$ 12,759 | \$ 14,835 | \$ 16,299 | \$ 53,660 |
| Earnings per unit—basic | | | | | |
| 2007 | \$ 0.23 | \$ 0.31 | \$ 0.39 | \$ 0.39 | \$ 1.32 |
| 2006 | \$ 0.21 | \$ 0.27 | \$ 0.31 | \$ 0.34 | \$ 1.13 |
| Earnings per unit—diluted | | | | | |
| 2007 | \$ 0.23 | \$ 0.30 | \$ 0.39 | \$ 0.39 | \$ 1.31 |
| 2006 | \$ 0.20 | \$ 0.27 | \$ 0.31 | \$ 0.34 | \$ 1.12 |

Fourth Quarter Highlights Fourth quarter consolidated sales increased 21.1% to \$318.0 million compared to \$262.5 million in 2006 and were up 23.3% excluding the foreign exchange impact of a stronger Canadian dollar. The quarter had 92 days of operations compared to 95 days last year as a result of changing the year end to January 31 and adopting a fixed calendar quarter end. On an equivalent three month basis, sales increased 24.3% and were up 8.5% on a same store basis excluding the foreign exchange impact. Food sales increased 19.4% and were up 4.9% on a same store basis excluding the foreign exchange impact. General merchandise sales increased by 28.3% and were up 16.7% on a same store basis excluding the foreign exchange impact. Sales from new stores, including the acquisition of Cost-U-Less, Inc., an increase in discretionary spending relating to higher natural resource industry activity across most regions, the Indian Residential School Settlement payments in Canada and a higher Permanent Fund Dividend payment in Alaska compared to 2006 were the leading factors contributing to the sales increase in the quarter.

On December 13, 2007, the Fund acquired through its U.S. subsidiary all of the issued and outstanding shares of Cost-U-Less, Inc. (CUL), a leading operator of 12 mid-size warehouse format stores in remote island communities in the South Pacific and the Caribbean. The acquisition of Cost-U-Less, Inc. is a strong strategic fit with the Company's positioning as a leading retailer in remote markets and is expected to leverage both the Company's and CUL's specialized capabilities in merchandising and supply chain management. The results of CUL are included in the consolidated financial statements of the Fund from December 13, 2007 forward.

Cost of sales, selling and administrative expenses increased 21.2% to \$286.5 million and increased 5 basis points as a percentage to sales compared to the fourth quarter of 2006. New and non-comparable store expenses accounted for approximately 88% of the increase. Continuing cost pressures related to recruitment and retention of store employees in

Canada and higher freight and energy related costs were partially offset by higher sales, higher staff productivity and lower debt loss expense in Canada.

Trading profit or net earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 20.5% to \$31.5 million compared to \$26.1 million in the fourth quarter last year. On an equivalent three month basis trading profit increased 26.7% and was up 10.6% excluding CUL and non-comparable adjustments in the International operations. Comparable store sales growth and financial service revenue gains were the leading factors contributing to the trading profit dollar increase, offsetting lower gross profit rates and higher expenses in the quarter. Interest expense increased 35.7% to \$2.5 million as a result of higher average debt levels in the quarter in part due to additional borrowings to fund the CUL acquisition. Income taxes increased \$1.6 million to \$2.8 million with approximately 50% of the increase due to higher earnings in the International operations. The increase in Canadian taxes is due to a decrease in future tax assets as a result of a reduction in substantially enacted tax rates and other net tax provision adjustments. In 2008, the annualized effective tax rate is estimated to be approximately 8% to 10% depending on the blend of earnings between Canada and International.

Net earnings increased \$2.6 million or 15.7% to \$18.9 million. Diluted earnings per unit improved to \$0.39 compared to \$0.34 last year.

Working capital increased \$15.8 million compared to last year. The increase in inventories is substantially due to the acquisition of CUL. New stores in Canada and the second quarter opening of a new third-party managed distribution centre in Calgary, Alberta also contributed to the increase. The decrease in bank advances and short-term notes is due to the transfer of the majority of the credit lines to long-term debt as a result of the renegotiation of credit lines from a demand facility to a three year committed facility. Accounts payable and accrued liabilities increased from the prior year due largely to the liabilities assumed as part of the CUL acquisition.

Cash flow from operating activities for the quarter increased to \$48.2 million from \$31.8 million last year. The increase in cash flow from operating activities is mainly due to the change in non-cash working capital largely resulting from a decrease in inventories in the quarter compared to last year. The decrease in inventories excludes the inventories related to the CUL acquisition which are included in investing activities. Cash flow from operations increased \$8.1 million to \$31.1 million due primarily to higher net earnings and an increase in future income taxes.

Cash used for investing activities in the quarter increased to \$68.3 million from \$10.9 million last year due to the acquisition of Cost-U-Less, Inc. on December 13, 2007, new stores opened in Canada and major renovation activity in existing stores.

Cash provided from financing activities in the quarter was \$13.1 million compared to \$20.6 million last year. The Fund paid distributions of \$13.1 million or \$0.27 per unit, an increase of 22.7% compared to \$10.6 million or \$0.22 per unit last year. During the quarter the Company arranged for new bank loan facilities which have resulted in a decrease in bank advances and short-term notes and an increase in long-term debt.

DISCLOSURE CONTROLS

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner. 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, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures operated effectively as of January 31, 2008 to provide reasonable assurance that the information to be disclosed is recorded, summarized and reported as required.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of 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 Canadian generally accepted accounting principles. Management has designed the internal controls over financial reporting as of the end of the period covered by the annual filings, and believes the design is sufficient to provide such reasonable assurance. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance with respect to financial reporting. There have been no changes in the internal controls over financial reporting during the year ended January 31, 2008 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

2008 activities will focus on the integration of recent acquisitions, new store improvements and overall productivity. Capital spending will reflect these priorities. The external environment is expected to be relatively positive compared to the general economy due to infrastructure projects and natural resource industry spending. We expect same store sales to increase at a lower rate in 2008 in part due to exceptional consumer spending activity in the fourth quarter of 2007.

RISK MANAGEMENT

NWF is exposed to a number of risks in its business primarily relating to the industry, the market environment and the successful execution of our key strategies. Risks affecting NWF include, but are not limited to, the following:

Retail Industry and Economic Downturns External factors which affect customer demand, and over which the Company exercises no influence, include general economic growth, interest rates, personal debt levels, unemployment rates and levels of personal disposable income. In an economic downturn, discounting by major retailers may negatively affect sales and gross profit. Although our core customer is a lower income shopper with relatively stable income sources, a recession or significant and prolonged decline in consumer spending could have an adverse effect on the financial condition and results of operations.

Store Capability Initiative This ongoing work involves programs to improve training and change the processes in our stores so we can better capitalize on local selling opportunities. The expected benefits are consistently strong operating standards, higher sales per capita in each market, increased efficiency and more rewarding and balanced work at the store level. Best Practices, in-depth new manager training, and advanced in-store systems are all directed at achieving these goals. The payback from this initiative will depend on our recruiting and retention success and our ability to effectively identify the right work and requisite training within a reasonable time period.

Employee Development and Retention Retaining and developing high calibre employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography and remoteness of the Company's markets, there is significant competition and a limited number of experienced personnel, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies. In addition to compensation programs that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based manager-in-training programs and the Company's in-depth leadership development program, "@Northwest". These types of programs are long-term, change management investments that continue to be refined.

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 identify and pursue new sales opportunities while defending our current positions through a superior value offer to our customers. We actively monitor competitive activity and we are proactive in adjusting and enhancing our value offer elements, ranging from in-stock position to service and pricing.

Community Relations Approximately 30% of our 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 joint venture and store lease arrangements with community-based development organizations, initiatives to recruit local residents into management positions, increase indigenous or Aboriginal participation in our Board of Trustees and direct investment in the North West Company Fund by Aboriginal-owned entities.

Consumer Income Our largest customer group derives most of its income directly or indirectly from government transfer payments in the form of social assistance, food stamps, child tax benefits and old age security. These tend to be stable sources of income, independent of economic cycles. A major source of employment income is generated from local government and spending on infrastructure projects. This includes new housing, schools, healthcare facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year to year depending on a community's fiscal health, especially near the end of the government budget year. A similar fluctuating source of income is employment related natural resource development and extraction activities.

Energy Costs The Company is exposed to fluctuations in the price of energy, particularly oil. To the extent that escalating fuel costs cannot be offset by energy conservation practices or offsetting productivity gains, they may result in lower margins or higher retail prices. Consumer spending, especially on discretionary items, may also be adversely affected.

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

Income taxes are accounted for by using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax or liabilities are expected to be realized or settled. The provision for income taxes is recorded 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.

On June 22, 2007, new legislation was passed (the "SIFT Rules") which imposes a new entity-level tax on distributions from certain specified investment flow-through entities ("SIFTs") such as the Fund commencing January 1, 2011. The application of the SIFT Rules is delayed until January 1, 2011 provided the Fund is not considered to have undergone an "undue expansion" in the interim period. The SIFT Rules will result in a reduction in the cash available for distribution to unitholders by the amount of the tax paid or payable by the Fund and the distributions to unitholders will be characterized as dividends.

On March 14, 2008, draft legislation (the "Provincial SIFT Tax Proposal") received its first reading in the House of Commons, that would have the effect of basing the provincial component on the general provincial corporate income tax rate in each province in which the Fund has a permanent establishment instead of basing the provincial component of the tax on a flat rate of 13%. For purposes of calculating this component of the tax, the general corporate taxable income allocation formula will be used which will result in an effective tax rate of approximately 30% in 2011. Taxable distributions that are not allocated to any province would be subject to a 10% rate constituting the provincial component. There can be no assurance, however, that the Provincial SIFT Tax Proposal will be enacted as proposed.

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.

Severe Weather Conditions Due to the vast geography of the store network, world weather conditions can play a significant role in the operations of the Company's stores. Severe weather conditions can range from blizzards to hurricanes and cyclones. Losses arising from extreme weather conditions, to the extent they are not mitigated through insurance and other programs, may have an adverse effect on the financial condition and results of operations.

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. These risks and the actions taken to minimize the risks are described below. 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. See Note 19 to the consolidated financial statements for additional information on the Company's financial instruments and associated risks.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counter party 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 customers greater than 10% of total accounts receivable.

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. To the extent the Company cannot meet its obligations or refinance its debt when it comes due, or can do so only at an excessive cost, may have an adverse effect on the financial condition and results of operations. For further information on credit facilities see Note 7 and Note 8 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 self-sustaining International operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging U.S. denominated borrowings with cross currency interest rate swaps and hedging a portion of the net investment in self-sustaining foreign operations with a portion of U.S. dollar denominated borrowings. The Company is also exposed to currency risk relating to the translation of International operations earnings from U.S. dollars to Canadian dollars. The strengthening Canadian dollar reduced the 2007 earnings from International operations by \$617,000 when converted to Canadian funds.

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, a mixture of fixed and floating rates and cross-currency interest rate swaps.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP 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 bad debts recorded in the consolidated statement of earnings and retained earnings.

Valuation of Inventories Retail inventories are stated at the lower of cost and net realizable value less normal profit margins. 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 and retained earnings.

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

The discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets and the rate of compensation increase are the three most significant assumptions. The discount rate used to calculate benefit plan obligations is based on market interest rates, as at the Company's measurement date of January 31, 2008 on a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the accrued benefit plan obligations. The discount rates used to measure the benefit plan obligations for fiscal 2007 and 2006 were 6.0% and 5.3% 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 2007 and 2006 is 7.0%. Management assumed the rate of compensation increase for fiscal 2007 and 2006 at 4%.

These assumptions may change in the future and may result in material changes in the accrued benefit obligation on the Company's consolidated balance sheet and the benefit plan expense on the consolidated statement of earnings and retained earnings. The magnitude of any immediate impact, however, is mitigated by the fact that net actuarial gains and losses in excess of 10% of the greater of the accrued benefit plan obligations and the market value of the benefit plan assets are amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits under the plan. 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 employee future benefits is provided in Note 16 of the consolidated financial statements.

Impairment of Long-lived Assets The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows. 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 and retained earnings.

Goodwill Goodwill is not amortized but is assessed for impairment at the reporting unit level at least annually. The potential for goodwill impairment is determined by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value of the reporting unit exceeds its fair value, a more detailed goodwill impairment test must be undertaken. A goodwill impairment loss is recorded when the carrying value of goodwill exceeds the implied fair value of the reporting unit and is recognized as an expense in the period the impairment is determined. The process of determining fair value requires management to make estimates and assumptions including, but not limited to, future sales, gross profit rates, earnings, capital investment, discount rates and growth rates. These estimates and assumptions are subject to change in the future due to changes in competitive and economic market conditions or changes in business strategies. 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 and retained earnings.

Income Taxes Future income 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. Future 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 future 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 future income tax assets and liabilities are also impacted by the interpretation of income tax legislation across various jurisdictions, expectations about future operating 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 future 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 13 to the consolidated financial statements.

ACCOUNTING STANDARDS IMPLEMENTED IN 2007

In 2007, the Company implemented the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Financial Instruments - Recognition and Measurement, Hedges, Comprehensive Income and Equity The CICA issued Section 3855, "Financial Instruments - Recognition and Measurement", Section 3865, "Hedges", Section 1530, "Comprehensive Income" and Section 3251, "Equity". These standards provide guidance on the recognition, measurement, and classification of financial assets and liabilities. These new standards require that all derivatives be recognized on the balance sheet at their fair value and specifies how financial instrument gains and losses are to be presented. The standards establish new accounting requirements for hedges whereby any ineffectiveness of designated hedges will be recognized immediately in income. CICA 1530 introduces new standards for the presentation and disclosure of items in comprehensive income which will be recorded as a component of equity. Comprehensive income includes changes in the cumulative currency translation adjustment account relating to self-sustaining foreign operations and unrealized gains or losses on available-for-sale investments. These new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006.

The Company has adopted these new standards as of February 1, 2007 with the changes applied retroactively without restatement of comparative numbers, with the exception of the reclassification of the cumulative currency translation adjustments account to accumulated other comprehensive income (Note 12 to the consolidated financial statements). Upon adoption of these accounting standards, the Company recorded a decrease in opening retained earnings of \$83,000.

Financial Instruments - Disclosures, Financial Instruments - Presentation, and Capital Disclosures The requirements of Section 3862 Financial Instruments - Disclosures, Section 3863 Financial Instruments - Presentation, and Section 1535 Capital Disclosures have been adopted and reflected in the Company's financial statements as of January 31, 2008. The Company was not required to adopt these new standards until the first quarter commencing February 1, 2008.

The objective of the disclosure requirements of Section 3862 is to provide information about the significance of financial instruments on the Company's financial position and performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks.

The presentation requirements of Section 3863 are substantially similar to the previous presentation requirements adopted by the Company and therefore the adoption of this standard did not impact the Company's financial statements.

The disclosure requirements of Section 1535 relate to information about an entity's capital and how it is managed.

FUTURE ACCOUNTING STANDARDS

The CICA has issued the following new accounting standards:

Inventories Section 3031 issued in June 2007 establishes new standards on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the cost to purchase and other costs incurred in bringing the inventories to their present location. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs in the period. This standard is effective for fiscal years beginning on or after October 1, 2007. The Company will implement this standard commencing in the first quarter of 2008.

Goodwill and Intangible Assets Section 3064 issued in February 2008, provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than initial recognition of goodwill and intangible assets acquired in a business combination. The standard is effective for fiscal periods beginning on or after October 1, 2008, and requires retroactive application to prior period financial statements. The Company is currently reviewing the impact of this new standard on the consolidated financial statements and will adopt the standard commencing in fiscal 2009.

International Financial Reporting Standards The Canadian Accounting Standards Board will require all public companies to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian Generally Accepted Accounting Principles to IFRS will be applicable for the Company's first quarter of 2011 when the Company will prepare comparative financial statements using IFRS. The adoption of IFRS will have an impact on the financial statements of the Company. The Company is assessing the impact of implementing IFRS and is developing plans to facilitate a timely conversion.

NON-GAAP MEASURES

1 Trading Profit (EBITDA) is not a recognized measure under Canadian GAAP. 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 GAAP as an indicator of NWF's performance. NWF'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

| (\$ in thousands) | 2007 | 2006 |
|-------------------|------------|-----------|
| Net earnings | \$ 62,991 | \$ 53,660 |
| Add: Amortization | 26,950 | 26,172 |
| Interest expense | 7,465 | 6,844 |
| Income taxes | 9,151 | 9,693 |
| Trading profit | \$ 106,557 | \$ 96,369 |

For trading profit information by business segment, see Note 15 "Segmented Information" in the notes to the consolidated financial statements on page 34

2 Earnings Before Interest and Income Taxes (EBIT) is not a recognized measure under Canadian GAAP. Management believes that EBIT is a useful measure as it provides investors with an indication of the performance of the consolidated operation 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 GAAP as an indicator of NWF's performance. NWF's method of calculating EBIT may differ 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) | 2007 | 2006 |
|-----------------------|-----------|-----------|
| Net earnings | \$ 62,991 | \$ 53,660 |
| Add: Interest expense | 7,465 | 6,844 |
| Income taxes | 9,151 | 9,693 |
| EBIT | \$ 79,607 | \$ 70,197 |

For EBIT information by business segment, see Note 15 "Segmented Information" in the notes to the consolidated financial statements on page 34

3 Cash Flow from Operations is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, cash flow from operations is a useful supplemental measure as it provides investors with an indication of the Company's ability to generate cash flows to fund its cash requirements, including distributions and capital investment. Investors should be cautioned, however, that cash flow from operations should not be construed as an alternative to net earnings as a measure of profitability or the statement of cash flows. NWF's method of calculating cash flow from operations may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated cash flow from operating activities to cash flow from operations is provided below:

Reconciliation of Cash Flow from Operating Activities to Cash Flow from Operations

| (\$ in thousands) | 2007 | 2006 |
|--|------------------|-----------|
| Cash flow from operating activities | \$ 93,591 | \$ 81,486 |
| Non-cash items: Change in other non-cash items | 1,890 | 1,112 |
| Change in non-cash working capital | (742) | (3,845) |
| Cash flow from operations | \$ 94,739 | \$ 78,753 |

Eleven-Year Financial Summary

| Fiscal Year ¹ (\$ in thousands) | 2007 52 weeks | 2006 52 weeks | 2005 52 weeks | 2004 52 weeks | 2003 53 weeks | 2002 52 weeks |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Consolidated Statements of Earnings | | | | | | |
| Sales - Canadian Operations | \$ 852,773 | \$ 769,633 | \$ 689,340 | \$ 629,822 | \$ 615,661 | \$ 565,747 |
| Sales - International Operations ² | 211,717 | 175,291 | 160,313 | 158,871 | 167,059 | 184,012 |
| Sales - Total | 1,064,490 | 944,924 | 849,653 | 788,693 | 782,720 | 749,759 |
| Trading profit (EBIUTDA) ³ - Canadian Operations | 87,410 | 81,730 | 70,561 | 62,629 | 57,663 | 59,163 |
| Trading profit (EBIUTDA) ³ - International Operations | 19,147 | 14,639 | 14,941 | 13,977 | 15,163 | 13,108 |
| Trading profit (EBIUTDA) ³ - Total Operations | 106,557 | 96,369 | 85,502 | 76,606 | 72,826 | 72,271 |
| Amortization - Canadian Operations | 22,634 | 22,248 | 21,103 | 19,977 | 18,413 | 18,976 |
| Amortization - International Operations ² | 4,316 | 3,924 | 3,910 | 3,928 | 3,988 | 3,696 |
| Amortization - Total | 26,950 | 26,172 | 25,013 | 23,905 | 22,401 | 22,672 |
| Unusual item | - | - | - | - | - | - |
| Interest | 7,465 | 6,844 | 6,120 | 5,761 | 6,299 | 6,681 |
| Income tax provision (recovery) | 9,151 | 9,693 | 11,479 | 9,675 | 8,396 | 8,449 |
| Net earnings (loss) | 62,991 | 53,660 | 42,890 | 37,265 | 35,730 | 34,469 |
| Cash flow from operations | 94,739 | 78,753 | 70,856 | 63,150 | 58,886 | 59,184 |
| Distributions/Dividends paid during the year | 54,667 | 38,702 | 30,317 | 29,105 | 30,639 | 25,157 |
| Cash flow from operations after distributions/dividends | 40,072 | 40,051 | 40,539 | 34,045 | 28,247 | 34,027 |
| Capital expenditures | 44,409 | 30,136 | 24,833 | 22,323 | 33,273 | 20,128 |
| Net change in cash | (368) | 212 | 10,450 | (5,189) | 6,176 | 475 |
| Consolidated Balance Sheets | | | | | | |
| Current assets | \$ 254,061 | \$ 226,164 | \$ 218,742 | \$ 208,188 | \$ 196,830 | \$ 209,900 |
| Property and equipment | 227,974 | 189,599 | 182,108 | 186,104 | 192,395 | 188,194 |
| Goodwill and other assets | 45,915 | 19,690 | 17,306 | 12,253 | 12,153 | 10,775 |
| Future income taxes | 1,720 | 6,416 | 5,693 | 7,932 | 8,222 | 9,322 |
| Current liabilities | 134,899 | 122,783 | 95,467 | 88,284 | 83,140 | 91,995 |
| Long-term debt and other liabilities | 138,470 | 67,056 | 85,809 | 89,908 | 97,982 | 106,812 |
| Equity | 256,301 | 252,030 | 242,573 | 236,285 | 228,478 | 219,384 |
| Consolidated Dollar Per Unit⁶ | | | | | | |
| Net earnings (loss) before unusual item - basic | \$ 1.32 | \$ 1.13 | \$ 0.90 | \$ 0.78 | \$ 0.75 | \$ 0.72 |
| Net earnings (loss) - diluted | 1.31 | 1.12 | 0.89 | 0.77 | 0.74 | 0.71 |
| Trading profit ⁴ | 2.24 | 2.03 | 1.79 | 1.60 | 1.52 | 1.50 |
| Cash flow from operations ⁴ | 1.99 | 1.66 | 1.49 | 1.32 | 1.23 | 1.23 |
| Distributions paid during the year | 1.13 | 0.80 | 0.63 | 0.60 | 0.63 | 0.52 |
| Cash flow from operations after distributions/dividends ⁴ | 0.86 | 0.86 | 0.86 | 0.72 | 0.60 | 0.71 |
| Equity at end of fiscal year (basic units outstanding) | 5.37 | 5.29 | 5.11 | 4.95 | 4.78 | 4.59 |
| Market price at January 31 | 18.42 | 16.41 | 12.50 | 10.22 | 7.88 | 6.90 |
| Statistics at Year End | | | | | | |
| Number of stores - Canadian | 176 | 168 | 164 | 159 | 156 | 154 |
| Number of stores - International | 44 | 32 | 27 | 25 | 25 | 25 |
| Selling square feet (000's) end of year - Canadian Stores | 1,368 | 1,226 | 1,157 | 1,093 | 1,106 | 1,070 |
| Selling square feet (000's) end of year - International ² | 690 | 311 | 272 | 255 | 254 | 245 |
| Sales per average selling square foot - Canadian | \$ 657 | \$ 646 | \$ 613 | \$ 573 | \$ 566 | \$ 534 |
| Sales per average selling square foot - International ² | \$ 423 | \$ 601 | \$ 608 | \$ 624 | \$ 669 | \$ 752 |
| Number of employees - Canadian Operations | 5,359 | 5,833 | 5,175 | 4,830 | 4,552 | 4,270 |
| Number of employees - International Operations ² | 1,502 | 806 | 732 | 692 | 736 | 657 |
| Average units outstanding (000's) | 47,649 | 47,561 | 47,694 | 47,754 | 47,820 | 48,021 |
| Units outstanding at end of fiscal year (000's) | 47,701 | 47,625 | 47,463 | 47,700 | 47,799 | 47,844 |
| Units traded during the year (000's) | 17,330 | 13,167 | 6,956 | 7,393 | 7,207 | 7,617 |
| Financial Ratios | | | | | | |
| Trading profit (%) ³ | 10.0 | 10.2 | 10.1 | 9.7 | 9.3 | 9.6 |
| EBIUT (%) ⁵ | 7.5 | 7.4 | 7.1 | 6.7 | 6.4 | 6.6 |
| Total return on net assets before unusual item (%) | 21.0 | 19.7 | 16.6 | 14.8 | 14.1 | 13.4 |
| Return on average equity before unusual item (%) | 24.9 | 21.7 | 18.0 | 16.2 | 16.0 | 15.8 |
| Debt-to-equity | .62:1 | .43:1 | .46:1 | .51:1 | .56:1 | .62:1 |
| Distributions/Dividends as % of cash flow from operations | 57.7 | 49.1 | 42.8 | 46.1 | 52.1 | 42.5 |
| Inventory turnover (times) | 5.3 | 5.1 | 4.6 | 4.2 | 4.1 | 3.7 |

1 The fiscal year changed from the last Saturday in January to January 31 effective January 31, 2007

2 International operations includes Alaska Commercial Company and Cost-U-Less, Inc. which was acquired December 13, 2007

| 2001 52 weeks | 2000 52 weeks | 1999 52 weeks | 1998 52 weeks | 1997 53 weeks | Fiscal Year ¹ (\$ in thousands) |
|---|------------------|------------------|------------------|------------------|--|
| Consolidated Statements of Earnings | | | | | |
| \$ 532,349 | \$ 502,756 | \$ 478,508 | \$ 494,023 | \$ 497,997 | Sales - Canadian Operations |
| 171,694 | 156,276 | 147,961 | 135,095 | 118,713 | Sales - International Operations ² |
| 704,043 | 659,032 | 626,469 | 629,118 | 616,710 | Sales - Total |
| 60,337 | 54,534 | 51,075 | 55,736 | 53,478 | Trading profit (EBIUTDA) ³ - Canadian Operations |
| 10,198 | 9,352 | 8,881 | 6,304 | 3,620 | Trading profit (EBIUTDA) ³ - International Operations |
| 70,535 | 63,886 | 59,956 | 62,040 | 57,098 | Trading profit (EBIUTDA) ³ - Total Operations |
| 19,301 | 18,568 | 17,287 | 16,739 | 15,525 | Amortization - Canadian Operations |
| 3,393 | 2,987 | 2,860 | 2,470 | 1,986 | Amortization - International Operations ² |
| 22,694 | 21,555 | 20,147 | 19,209 | 17,511 | Amortization - Total |
| - | - | - | 20,000 | - | Unusual item |
| 10,501 | 13,236 | 11,701 | 13,714 | 12,298 | Interest |
| 8,325 | 961 | 151 | (7,028) | 6,252 | Income tax provision (recovery) |
| 29,015 | 28,134 | 27,957 | 16,145 | 21,037 | Net earnings (loss) |
| 55,773 | 47,782 | 44,854 | 52,110 | 35,992 | Cash flow from operations |
| 21,375 | 21,446 | 21,600 | 18,750 | 8,925 | Distributions/Dividends paid during the year |
| 34,398 | 26,336 | 23,254 | 33,360 | 27,067 | Cash flow from operations after distributions/dividends |
| 20,427 | 19,133 | 22,777 | 18,328 | 28,818 | Capital expenditures |
| 1,388 | (1,567) | (1,481) | 1,260 | 6,967 | Net change in cash |
| Consolidated Balance Sheets | | | | | |
| \$ 219,956 | \$ 192,250 | \$ 176,164 | \$ 174,137 | \$ 213,659 | Current assets |
| 194,025 | 194,448 | 195,429 | 197,310 | 198,074 | Property and equipment |
| 9,836 | 10,055 | 12,351 | 13,045 | 13,403 | Goodwill and other assets |
| 9,358 | 19,212 | 3,593 | 2,919 | (9,102) | Future income taxes |
| 204,017 | 100,886 | 92,486 | 90,723 | 121,398 | Current liabilities |
| 9,634 | 124,106 | 125,146 | 132,571 | 134,476 | Long-term debt and other liabilities |
| 219,524 | 190,973 | 169,905 | 164,117 | 160,160 | Equity |
| Consolidated Dollar Per Unit⁶ | | | | | |
| \$ 0.65 | \$ 0.63 | \$ 0.62 | \$ 0.61 | \$ 0.47 | Net earnings (loss) before unusual item - basic |
| 0.65 | 0.63 | 0.62 | 0.36 | 0.47 | Net earnings (loss) - diluted |
| 1.58 | 1.43 | 1.33 | 1.38 | 1.27 | Trading profit ⁴ |
| 1.25 | 1.07 | 1.00 | 1.16 | 0.80 | Cash flow from operations ⁴ |
| 0.49 | 0.48 | 0.48 | 0.41 | 0.20 | Distributions paid during the year |
| 0.76 | 0.59 | 0.52 | 0.83 | 0.60 | Cash flow from operations after distributions/dividends ⁴ |
| 4.54 | 4.33 | 3.78 | 3.65 | 3.56 | Equity at end of fiscal year (basic units outstanding) |
| 5.73 | 4.33 | 4.00 | 5.20 | 4.67 | Market price at January 31 |
| Statistics at Year End | | | | | |
| 153 | 153 | 153 | 151 | 163 | Number of stores - Canadian |
| 24 | 24 | 25 | 23 | 28 | Number of stores - International |
| 1,050 | 1,019 | 998 | 990 | 1,063 | Selling square feet (000's) end of year - Canadian Stores |
| 244 | 238 | 235 | 229 | 227 | Selling square feet (000's) end of year - International ² |
| \$ 515 | \$ 499 | \$ 481 | \$ 481 | \$ 477 | Sales per average selling square foot - Canadian |
| \$ 712 | \$ 661 | \$ 638 | \$ 592 | \$ 520 | Sales per average selling square foot - International ² |
| 4,015 | 3,822 | 3,787 | 3,823 | 4,004 | Number of employees - Canadian Operations |
| 690 | 655 | 655 | 635 | 685 | Number of employees - International Operations ² |
| 44,688 | 44,625 | 45,000 | 45,000 | 45,000 | Average units outstanding (000's) |
| 48,378 | 44,073 | 45,000 | 45,000 | 45,000 | Units outstanding at end of fiscal year (000's) |
| 4,776 | 4,843 | 2,795 | 4,606 | 6,195 | Units traded during the year (000's) |
| Financial Ratios | | | | | |
| 10.0 | 9.7 | 9.6 | 9.9 | 9.3 | Trading profit (%) ³ |
| 6.8 | 6.4 | 6.4 | 6.8 | 6.4 | EBIUT (%) ⁵ |
| 12.7 | 11.5 | 11.6 | 12.1 | 11.4 | Total return on net assets before unusual item (%) |
| 14.9 | 15.2 | 16.8 | 17.6 | 13.9 | Return on average equity before unusual item (%) |
| .69:1 | .92:1 | 1.01:1 | 1.06:1 | 1.26:1 | Debt-to-equity |
| 38.3 | 44.9 | 48.2 | 36.0 | 24.8 | Distributions/Dividends as % of cash flow from operations |
| 3.3 | 3.3 | 3.4 | 3.1 | 3.0 | Inventory turnover (times) |

³ Earnings before interest, unusual item, taxes, depreciation and amortization

⁴ Based on average basic units outstanding

⁵ Earnings before interest, unusual item and taxes

⁶ 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 North West Company Fund are responsible for the preparation, presentation and integrity of the accompanying financial statements and all other information in this annual report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and include certain amounts that are based on the best estimates and judgment by management.

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

Ultimate responsibility for financial reporting to unitholders rests with the Trustees of the Fund. The Audit Committee of the Board of Trustees, consisting of outside Trustees, 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 Trustees. The Audit Committee also recommends the independent auditor for appointment by the unitholders.

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

Edward S. Kennedy
PRESIDENT & CEO
NORTH WEST COMPANY FUND

Léo P. Charrière
EXECUTIVE VICE-PRESIDENT & CFO
NORTH WEST COMPANY FUND

MARCH 19, 2008

Auditor's Report

PRICEWATERHOUSECOOPERS 

To the Unitholders of North West Company Fund:

We have audited the consolidated balance sheets of North West Company Fund as at January 31, 2008 and as at January 31, 2007 and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for the fiscal years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at January 31, 2008 and January 31, 2007 and the results of its operations and its cash flows for the fiscal years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

MARCH 19, 2008

Consolidated Balance Sheets

(\$ in thousands)

January 31, 2008

January 31, 2007

ASSETS

| | | |
|---------------------------------|-------------------|------------|
| Current assets | | |
| Cash | \$ 21,732 | \$ 22,100 |
| Accounts receivable | 62,759 | 69,208 |
| Inventories | 162,481 | 128,455 |
| Prepaid expenses | 3,604 | 3,693 |
| Future income taxes (Note 13) | 3,485 | 2,708 |
| | 254,061 | 226,164 |
| Property and equipment (Note 4) | 227,974 | 189,599 |
| Other assets (Note 5) | 19,033 | 19,690 |
| Goodwill (Note 21) | 26,882 | – |
| Future income taxes (Note 13) | 1,720 | 6,416 |
| | \$ 529,670 | \$ 441,869 |

LIABILITIES

| | | |
|---|----------------|-----------|
| Current liabilities | | |
| Bank advances and short-term notes (Note 7) | \$ 4,336 | \$ 21,581 |
| Accounts payable and accrued liabilities | 109,877 | 77,624 |
| Income taxes payable | 2,053 | 3,287 |
| Current portion of long-term debt (Note 8) | 18,633 | 20,291 |
| | 134,899 | 122,783 |
| Long-term debt (Note 8) | 136,864 | 65,631 |
| Asset retirement obligations (Note 9) | 1,606 | 1,425 |
| | 273,369 | 189,839 |

EQUITY

| | | |
|--|-------------------|------------|
| Capital (Note 10) | 165,133 | 165,205 |
| Unit purchase loan plan (Note 11) | (12,342) | (11,493) |
| Contributed surplus (Note 18) | 970 | 383 |
| Retained earnings | 100,526 | 93,253 |
| Accumulated other comprehensive income (Note 12) | 2,014 | 4,682 |
| | 256,301 | 252,030 |
| | \$ 529,670 | \$ 441,869 |

See accompanying notes to consolidated financial statements

Approved by the Trustees

Ian Sutherland
TRUSTEE

Edward S. Kennedy
TRUSTEE

Consolidated Statements of Earnings & Retained Earnings

| (\$ in thousands) | 365 Days Ended January 31, 2008 | 368 Days Ended January 31, 2007 (Note 3) |
|--|------------------------------------|--|
| SALES | \$ 1,064,490 | \$ 944,924 |
| Cost of sales, selling and administrative expenses | (957,933) | (848,555) |
| Net earnings before amortization, interest and income taxes | 106,557 | 96,369 |
| Amortization | (26,950) | (26,172) |
| | 79,607 | 70,197 |
| Interest, including interest on long-term debt of \$4,648 (2006 - \$5,792) | (7,465) | (6,844) |
| | 72,142 | 63,353 |
| Provision for income taxes (Note 13) | (9,151) | (9,693) |
| NET EARNINGS FOR THE YEAR | \$ 62,991 | \$ 53,660 |
| Retained earnings, beginning of year as previously reported | 93,253 | 83,133 |
| Accounting policy changes (Note 2) | (83) | - |
| Retained earnings, as restated | 93,170 | 83,133 |
| Distributions (Note 22) | (55,635) | (43,540) |
| RETAINED EARNINGS, END OF YEAR | \$ 100,526 | \$ 93,253 |
| NET EARNINGS PER UNIT (Note 14) | | |
| Basic | \$ 1.32 | \$ 1.13 |
| Diluted | \$ 1.31 | \$ 1.12 |

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

| (\$ in thousands) | 365 Days Ended January 31, 2008 | 368 Days Ended January 31, 2007 (Note 3) |
|--|------------------------------------|--|
| NET EARNINGS FOR THE YEAR | \$ 62,991 | \$ 53,660 |
| Unrealized gains (losses) on translation of financial statements from a self-sustaining operation in U.S. dollar functional currency to Canadian dollar reporting currency | (2,668) | 482 |
| Other comprehensive income (loss) (Note 12) | (2,668) | 482 |
| COMPREHENSIVE INCOME | \$ 60,323 | \$ 54,142 |

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

| (\$ in thousands) | 365 Days Ended January 31, 2008 | 368 Days Ended January 31, 2007 (Note 3) |
|---|------------------------------------|--|
| CASH PROVIDED BY (USED IN) | | |
| Operating Activities | | |
| Net earnings for the year | \$ 62,991 | \$ 53,660 |
| Non-cash items | | |
| Amortization | 26,950 | 26,172 |
| Future income taxes | 3,656 | (1,580) |
| Unit purchase loan plan compensation (Note 18) | 587 | 383 |
| Amortization of deferred financing costs | 186 | 186 |
| Loss (Gain) on disposal of property and equipment | 369 | (68) |
| | 94,739 | 78,753 |
| Change in non-cash working capital | 742 | 3,845 |
| Change in other non-cash items | (1,890) | (1,112) |
| Operating activities | 93,591 | 81,486 |
| Investing Activities | | |
| Business acquisitions (Note 21) | (54,258) | (5,577) |
| Purchase of property and equipment | (44,409) | (30,136) |
| Proceeds from disposal of property and equipment | 549 | 237 |
| Investing activities | (98,118) | (35,476) |
| Financing Activities | | |
| Change in bank advances and short-term notes | (20,117) | (5,460) |
| Net purchase of units for unit purchase loan plan | (849) | (1,528) |
| Increase in long-term debt | 97,099 | - |
| Repayment of long-term debt | (20,278) | (108) |
| Return of Capital (Note 10) | (72) | - |
| Distributions (Note 22) | (54,667) | (38,702) |
| Financing activities | 1,116 | (45,798) |
| NET CHANGE IN CASH | \$ (3,411) | \$ 212 |
| Cash acquired in business acquisition (Note 21) | 3,043 | - |
| Cash, beginning of year | 22,100 | 21,888 |
| CASH, END OF YEAR | \$ 21,732 | \$ 22,100 |
| Supplemental disclosure of cash paid for: | | |
| Interest expense | \$ 7,503 | \$ 6,839 |
| Income taxes | \$ 6,886 | \$ 11,730 |

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

January 31, 2008

1. ORGANIZATION

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

2. ACCOUNTING POLICY CHANGES

Financial Instruments - Recognition and Measurement, Financial Instruments - Disclosure and Presentation, Hedges, Comprehensive Income and Equity

Effective February 1, 2007, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) section 3855 Financial Instruments - Recognition and Measurement; section 3861 Financial Instruments - Disclosure and Presentation; section 3865 Hedges; section 1530 Comprehensive Income; and section 3251 Equity. These changes in accounting policy have been applied retroactively without restatement of comparative financial statements, with the exception of the reclassification of the cumulative currency translation adjustments account to accumulated other comprehensive income (Note 12) in accordance with the transitional provisions of the standards. Upon adoption of these accounting standards, the Company recorded a decrease in opening retained earnings of \$83,000 net of tax.

Section 3855 requires that all financial assets and liabilities, including derivatives must initially be recognized on the balance sheet at fair value. Subsequent to initial recognition, the measurement of financial assets and liabilities is dependent upon their designation. All financial assets must be designated as either held for trading, available for sale, loans and receivables or held to maturity. All financial liabilities must be designated as either held for trading or other liabilities. Financial assets and liabilities designated as held for trading are measured on the balance sheet

at fair value with periodic changes in fair value recognized in earnings. Financial assets designated as available for sale are measured on the balance sheet at fair value with periodic changes in fair value recognized in other comprehensive income until realized, at which time the accumulated gains or losses are reclassified into net earnings. Financial assets designated as loans and receivable or held to maturity and financial liabilities designated as other liabilities are measured on the balance sheet at amortized cost and income from those assets are recognized in net earnings using the effective interest method. The carrying amount of assets or liabilities that are part of an effective fair value hedging relationship is periodically adjusted by an amount equal to the change in fair value caused by the risk that is hedged.

Section 3855 requires that if certain conditions are met all derivatives embedded in financial and non-financial contracts be separated from the host contract and accounted for separately. In accordance with the transitional requirements of the standard, the Company has performed a search for derivatives embedded in contracts existing as of January 31, 2007 that were entered into after February 1, 2004. This requirement had no impact on the Company's financial statements.

All derivatives, including embedded derivatives, must be measured on the balance sheet at fair value. Periodic changes in the fair value of those derivatives are reflected in net earnings unless the derivative is in an effective cash flow hedging relationship. For derivatives in an effective cash flow hedging relationship, the effective portion of the change in fair value is recognized in other comprehensive income.

Financial Instruments - Disclosures, Financial Instruments - Presentation, and Capital Disclosures

The requirements of Section 3862 Financial Instruments - Disclosures, Section 3863 Financial Instruments - Presentation, and Section 1535 Capital Disclosures have been adopted and reflected in the Company's financial statements as of January 31, 2008. The Company was not required to adopt these new standards until the first quarter commencing February 1, 2008.

The objective of the disclosure requirements of Section 3862 is to provide information about the significance of financial instruments on the Company's financial position and performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks.

The presentation requirements of Section 3863 are substantially similar to the previous presentation requirements adopted by the Company and therefore the adoption of this standard did not impact the Company's financial statements.

The disclosure requirements of Section 1535 relate to information about an entity's capital and how it is managed.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise noted.

These consolidated financial statements include the accounts of NWF, The NWC Trust, North West Company Holdings Inc., NWC GP Inc., NWC, the operating entities (the "Company") The North West Company LP, Alaska Commercial Company (AC) and Cost-U-Less, Inc (CUL). AC and CUL are reported as International operations. The remaining entities are reported as Canadian operations. The financial results of certain subsidiaries which have different year ends have been included in the consolidated financial statements for the 12 months ended January 31, 2008 and January 31, 2007. CUL was acquired on December 13, 2007 and the results of operations are included in the consolidated financial statements from the acquisition date. All significant inter-company amounts and transactions have been eliminated on consolidation.

Fiscal Year In 2006, the Fund adopted a fixed fiscal year end of January 31 compared to the last Saturday in January used in prior years. Accordingly, the year ended January 31, 2008 has 365 days of operations compared to the year ended January 31, 2007 which has 368 days of operations.

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

Accounts Receivable Accounts receivable are recorded at cost, net of allowance for doubtful accounts and include customer installment accounts of which a portion may not become due within one year. The Company records an allowance to reduce the carrying value of accounts receivable identified as potentially uncollectible to their estimated realizable amount. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories Inventories are valued at the lower of cost and net realizable value less normal profit margins. The cost of warehouse inventories is determined by the average cost method. The cost of retail inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories. Net realizable value is defined as the anticipated selling price.

Vendor Rebates Consideration received from vendors related to the purchase of merchandise is recorded as a reduction in the price of the vendor's products and reflected as a reduction of cost of goods sold and related inventory.

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

| | |
|-----------------------------|--------|
| Buildings..... | 2%-8% |
| Leasehold improvements..... | 5%-20% |

| | |
|--------------------------------------|---------|
| Fixtures and equipment..... | 8%-20% |
| Computer equipment and software..... | 12%-33% |

Impairment of Long-Lived Assets Impairment of long lived assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value and is recognized as an expense in the period of impairment.

Other Assets Other assets consist primarily of accrued employee future benefit asset and an investment in a transportation company. The transportation company is accounted for on the equity basis. Prepayments under lease agreements are being amortized over their respective lease terms and are recorded in cost of sales, selling and administrative expenses on the consolidated statements of earnings.

Intangible Assets Non-compete agreements are recorded at their cost and are amortized on a straight-line basis over the term of the agreements which is five to ten years. The carrying value of these assets is reviewed periodically for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and will be written down to their fair value by a charge to amortization expense if a decline in carrying value is determined.

Goodwill Goodwill represents the excess of the acquisition cost of investments in subsidiaries over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill is not amortized but is subject to an annual fair value impairment test. Impairment is tested by determining whether a reporting unit's fair value exceeds its net carrying amount as of the assessment date. An impairment loss is recorded when the carrying value exceeds the fair value and is recognized as an expense in the period of impairment.

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

Security Based Compensation The Company has security-based compensation plans as described in Note 18. Security-based awards are measured and recognized using a fair value based method.

Foreign Currency Translation The accounts of self-sustaining foreign operations have been translated into Canadian dollars using the current rate method whereby assets and liabilities are translated at the year-end exchange rate and revenues and expenses at the average rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in the self-sustaining foreign operations and the portion of the U.S. denominated debt designated as a hedge against this investment are deferred and included in a separate component of equity as accumulated other comprehensive income. Accumulated other comprehensive income is recognized in net earnings when there has been a reduction in the net investment in the self-sustaining foreign operation.

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

The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to unitholders and, as such, no income tax is payable by the Fund. On June 22, 2007, legislation was passed (the "SIFT Rules") which imposes a new entity-level tax on distributions from certain specified investment flow-through entities ("SIFTs") such as the Fund commencing January 1, 2011 at a proposed rate of 29.5% in 2011 and 28.0% in 2012. The application of the SIFT Rules is delayed until January 1, 2011 provided the Fund is not considered to have undergone an "undue expansion" in the interim period.

Employee Future Benefits The Company maintains a defined benefit or defined contribution pension plan for the majority of its Canadian employees. The actuarial determination of the accrued benefit obligations for pension benefits uses the projected benefit method prorated on services which incorporates management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees. For the purpose of calculating the expected returns on plan assets, those assets are valued at market related value based on a five year moving average. Past service costs and the net transitional asset are amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits under the plan. The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the market related value of the plan assets is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the pension plan is 15 years (January 31, 2007 - 15 years). Contributions to the defined contribution pension plan are expensed as incurred. The Company also sponsors an employee savings plan for U.S. employees whereby the Company is obligated to make a 50% matching contribution up to 6% of eligible compensation.

Asset Retirement Obligations A liability associated with the retirement of long-lived assets is recorded in the period in which the legal obligation is incurred at its estimated fair value and a corresponding asset is capitalized as part of the related asset and depreciated over its useful life. Subsequent to the initial measurement of the asset retirement obligation, the obligation is accreted to reflect the passage of time and changes in the estimated future costs underlying the obligation. Accretion expense is included in cost of sales, selling and administrative expenses.

Financial Instruments Accounts receivables and financial assets included in other assets are designated as loans and receivables and are carried on the balance sheet at amortized cost. Interest revenue, consisting primarily of service charge income on customer accounts receivable, is included in sales in the consolidated financial statements. Bank advances and short-term notes and accounts payable and accrued liabilities are designated as other liabilities and are carried on the balance sheet at amortized cost. Interest incurred, if any, in relation to these liabilities is recorded using the effective interest method and included in interest expense.

Cross currency interest rate and interest rate swap derivative instruments are used to hedge exposure to interest rate and foreign exchange rate risk. These derivatives are recognized on the balance sheet at their fair value. The hedging relationships are designated as fair value hedges and are tested for effectiveness on a quarterly basis. To the extent that the hedging relationship is effective, a gain or loss arising from the hedged item in a fair value hedge adjusts the carrying value of the hedged item and is reflected in earnings, offset by change in fair value of the underlying derivative. Any change in fair value of derivatives that do not qualify for hedge accounting is reported in earnings. Changes in fair value relating to the interest rate swaps are included in interest expense. For the cross currency interest rate swaps changes in fair value caused by interest rates are included in interest expense and changes in fair value caused by foreign exchange rates are included in cost of sales, selling and administrative expenses in the consolidated statement of earnings.

Long-term debt is designated as other liabilities and carried on the balance sheet at amortized cost. Transaction costs relating to the issuance of long-term debt are included in the amortized cost of the debt. Interest expense relating to long-term debt is recorded using the effective interest method and included in the consolidated statement of earnings in interest expense. Portions of the long-term debt are hedged to protect against interest rate risk and foreign exchange risk. To the extent that the hedging relationships are effective, the amortized cost balance is adjusted to include the portion of the change in fair value of the debt that is caused by the effects of interest rate risk and foreign exchange risk, where those risks are hedged.

A portion of the U.S. denominated debt is designated as a hedge against foreign exchange exposure caused by the Company's net investment in self-sustaining foreign operations. The foreign exchange gains and losses arising from translation of this debt are included in other comprehensive income and subsequently recognized in earnings when the hedged item affects earnings.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events could alter such estimates in the near term. Estimates are used when accounting for items such as valuation of accounts receivable, valuation of inventories, amortization, impairment of assets, employee future benefits, and income taxes.

4. PROPERTY AND EQUIPMENT (\$ in thousands)

| Year Ended | January 2008 | | January 2007 | |
|---------------------------------------|---------------------|-------------------|---------------------|--------------|
| | Accumulated Cost | Amortization | Accumulated Cost | Amortization |
| Land | \$ 8,290 | \$ - | \$ 6,664 | \$ - |
| Buildings & leasehold improvements | 256,162 | 120,237 | 221,920 | 113,391 |
| Fixtures & equipment | 155,707 | 93,818 | 136,614 | 87,194 |
| Computer equipment & software | 55,297 | 40,417 | 68,173 | 49,883 |
| Construction in process | 6,990 | - | 6,696 | - |
| | \$ 482,446 | \$ 254,472 | \$ 440,067 | \$ 250,468 |
| Net book value | \$ 227,974 | | \$ 189,599 | |

5. OTHER ASSETS (\$ in thousands)

| Year Ended | January 2008 | January 2007 |
|---|------------------|--------------|
| Investments in transportation companies | \$ 4,681 | \$ 4,706 |
| Accrued employee future benefit asset (Note 16) | 7,638 | 7,470 |
| Long-term receivable | 3,286 | 3,466 |
| Prepayments under lease agreements | 949 | 1,076 |
| Intangible assets (Note 6) | 945 | 1,177 |
| Other | 1,534 | 1,795 |
| | \$ 19,033 | \$ 19,690 |

6. INTANGIBLE ASSETS (\$ in thousands)

| Year Ended | January 2008 | | January 2007 | |
|---------------------------|---------------------|--------------|---------------------|--------------|
| | Accumulated Cost | Amortization | Accumulated Cost | Amortization |
| Non-compete agreements | \$ 1,370 | \$ 425 | \$ 1,370 | \$ 193 |
| Net book value | \$ 945 | | \$ 1,177 | |

Intangible assets are included in other assets on the consolidated balance sheet. Intangible asset amortization expense recorded in amortization on the consolidated statement of earnings for the year ended January 31, 2008 is \$232,000 (January 31, 2007 - \$193,000).

7. BANK ADVANCES AND SHORT-TERM NOTES

In January 2008, the Company arranged for new revolving loan facilities as described in Note 8 and as a result, amounts drawn by the Canadian operations on the new facilities are reported as long-term debt. Prior to this new arrangement, the Canadian operation had available operating loan facilities of \$85 million at interest rates ranging from prime to prime plus 0.75%. These facilities, which were subject to annual renewal, were secured by a floating charge against the assets of the Company on a pari passu basis with the senior note holders. At January 31, 2007, the Company had drawn \$21,581,000 on these facilities.

International operations have available demand, revolving loan facilities of US\$21 million at interest rates of London Interbank Offered Rate (LIBOR) plus 1.75% or US prime minus 0.25% secured by a floating charge against accounts receivable and inventories of the International operations. As at January 31, 2008, the International operations had drawn US\$4,326,000 (January 31, 2007 - US\$0) on the facility.

8. LONG-TERM DEBT

| Year Ended (\$ in thousands) | January 2008 | January 2007 |
|---|-------------------|--------------|
| Senior notes ¹ | \$ 57,292 | \$ 76,648 |
| Effect of financial derivative instruments ¹ | - | 8,132 |
| Revolving loan facilities ² | 41,919 | - |
| Non-revolving loan facilities ³ | 52,114 | - |
| Notes payable ⁴ | 1,726 | - |
| Obligation under capital lease ⁵ | 2,446 | 1,142 |
| | 155,497 | 85,922 |
| Less: Current portion of long-term debt | 18,633 | 20,291 |
| | \$ 136,864 | \$ 65,631 |

1 The US\$52 million senior notes mature on June 15, 2009 and bear an interest rate of 5.89% payable semi-annually. A principal payment is due on June 15, 2008. The notes are secured by a floating charge against the assets of the Company. The Company has entered into various cross currency interest rate and interest rate swaps resulting in floating interest costs on US\$23 million of its senior notes. After giving effect to the interest rate swaps and cross currency interest rate swaps, the effective interest rate for the year ended January 31, 2008 was 7.4% (January 31, 2007 - 7.3%).

2 Canadian operations have available three year extendible, committed, revolving loan facilities of \$140 million. These facilities are secured by a floating charge on the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at Bankers Acceptances rates plus stamping fees ranging from 50 to 90 basis points or the Canadian prime rate. As at January 31, 2008, the Company has drawn \$41,919,000 on these facilities at an effective interest rate of 4.7%.

3 International operations have available three year extendible, committed, non-revolving loan facilities of US\$52 million. These facilities are secured by a floating charge on the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at LIBOR plus stamping fees ranging from 50 to 90 basis points or the US prime rate. As at January 31, 2008, the Company has drawn US\$52,000,000 on these facilities at an effective interest rate of 3.6%.

4 As a result of the Cost-U-Less, Inc. acquisition (Note 21), the Company assumed notes payable in the amount of US\$1,722,000. The notes have an interest rate of US prime plus 1%. The notes payable mature in 2013 and 2015 and have annual principal payments of US\$267,000. The effective interest rate for the year ended January 31, 2008 was 7%.

5 The obligation under capital leases of US\$2,441,000 (January 31, 2007 - US\$968,000) is repayable in blended principal and interest payments of US\$634,000 annually.

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

| Years Ending January | (\$ in thousands) |
|---------------------------|-------------------|
| 2009 | \$ 18,633 |
| 2010 | 40,132 |
| 2011 | 94,815 |
| 2012 | 691 |
| 2013 and thereafter | 1,226 |

9. ASSET RETIREMENT OBLIGATIONS

The Company has recognized a discounted liability associated with obligations arising from the operation of petroleum dispensing units and specific provisions in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms. At January 31, 2008, the undiscounted cash flows required to settle the obligations is \$7.0 million, which is expected to be settled between 2008 and 2058. The credit-adjusted risk free rate at which the estimated cash flows have been discounted is 8%.

A reconciliation of the opening and closing carrying amount of the asset retirement obligation is as follows:

| Year Ended (\$ in thousands) | January 2008 | January 2007 |
|--------------------------------------|--------------|--------------|
| Balance, beginning of year | \$ 1,425 | \$ 1,285 |
| Liabilities incurred during the year | 72 | 34 |
| Accretion expense | 109 | 106 |
| Balance, end of year | \$ 1,606 | \$ 1,425 |

10. CAPITAL

Authorized The Fund has an unlimited number of units.

(units and \$ in thousands)

| Year Ended | January 2008 | | January 2007 | |
|------------------------|--------------|-----------|--------------|-----------|
| Issued and outstanding | 48,378 | \$165,133 | 48,378 | \$165,205 |

In connection with the internal reorganization of the Fund completed June 5, 2007 and pursuant to an Advance Income Tax Ruling of the Canada Revenue Agency related to the reorganization, the Fund paid a return of capital of \$72,000 to unitholders.

11. UNIT PURCHASE LOAN PLAN

During the year the Company issued loans to officers and senior management to purchase units under the unit purchase loan plan. These loans are non-interest bearing and are repayable from the Company's after tax distributions or if the employee sells the units or leaves the Company. The loans are secured by a pledge of 677,197 units of NWF with a quoted value of \$12,474,000 as at January 31, 2008. Loans receivable at January 31, 2008 of \$12,342,000 (January 31, 2007 - \$11,493,000) are recorded as a reduction of equity. The loans have terms of three or five years. The maximum amount of the loans under the plan is currently limited to \$15,000,000.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

(\$ in thousands)

| Year Ended | January 2008 | January 2007 |
|---|--------------|--------------|
| Balance, beginning of year as previously reported | \$ - | \$ - |
| Unrealized gains on translation of financial statements from a self sustaining operation in U.S. dollar functional currency to Canadian dollar reporting currency | 4,682 | 4,200 |
| Restated balance, beginning of year | 4,682 | 4,200 |
| Other comprehensive income (loss) | (2,668) | 482 |
| Accumulated other comprehensive income, end of year | 2,014 | 4,682 |
| Retained earnings, end of year | 100,526 | 93,253 |
| Total accumulated other comprehensive income, and retained earnings | \$ 102,540 | \$ 97,935 |

Accumulated other comprehensive income represents the net changes due to exchange rate fluctuations in the equivalent Canadian dollar book values of the net investment in self-sustaining foreign operations since the date of acquisition. A portion of the U.S. denominated senior notes in the amount of US\$43,000,000 has been designated as a hedge against the foreign operations.

13. INCOME TAXES (\$ in thousands)

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

| Year Ended | January 2008 | January 2007 |
|---|-----------------|-----------------|
| Future tax assets | | |
| Tax values of property and equipment in excess of accounting values | \$ 6,192 | \$ 7,893 |
| Provisions and other temporary differences | (987) | 1,231 |
| Net future tax asset | \$ 5,205 | \$ 9,124 |
| Comprised of | | |
| Current | \$ 3,485 | \$ 2,708 |
| Long-term | 1,720 | 6,416 |
| | \$ 5,205 | \$ 9,124 |

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

| Year Ended | January 2008 | January 2007 |
|--|--------------|--------------|
| Net earnings before income taxes | \$ 72,142 | \$ 63,353 |
| Combined statutory income tax rate | 35.75% | 35.90% |
| Income taxes based on combined statutory income tax rate | 25,790 | 22,744 |
| Increase (decrease) in income taxes resulting from: | | |
| Amounts not subject to income tax | (16,637) | (6,925) |
| Income tax deductions on interest paid to the Fund | (3,051) | (9,232) |
| Withholding tax | 256 | 286 |
| Recognition of Canadian income tax rate changes on future income taxes | 715 | 735 |
| Other | 2,078 | 2,085 |
| Provision for income taxes | \$ 9,151 | \$ 9,693 |
| Effective income tax rate | 12.69% | 15.30% |

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

| Year Ended | January 2008 | January 2007 |
|--|--------------|--------------|
| Current income tax expense | \$ 5,495 | \$ 11,272 |
| Future income tax expense (benefit) relating to: | | |
| Temporary differences | 2,941 | (2,314) |
| Recognition of Canadian income tax rate changes on future income taxes | 715 | 735 |
| Provision for income taxes | \$ 9,151 | \$ 9,693 |

The recognition and measurement of the current and future tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations and in the assessment of the recoverability of future tax assets. 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 review 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 income tax provision in the period in which the outcome is determined.

14. NET EARNINGS PER UNIT

Basic net earnings per unit are calculated based on the weighted-average units outstanding in 2007 of 47,649,000 (2006 - 47,561,000). The diluted net earnings per unit takes into account the dilutive effect of the deferred unit plan for Trustees and the additional income that would have been earned by the Company had interest costs not been incurred on the unit purchase loan plan and had the respective units been outstanding during the year.

(\$ and units in thousands except earnings per unit)

| Year Ended | January 2008 | January 2007 |
|--|----------------|----------------|
| Diluted earnings per unit calculation: | | |
| Net earnings for the year | | |
| (numerator for basic earnings per unit) | \$ 62,991 | \$ 53,660 |
| After-tax interest cost of unit purchase loan plan | 485 | 418 |
| Numerator for diluted earnings per unit | \$ 63,476 | \$ 54,078 |
| Weighted average units outstanding | | |
| (denominator for basic earnings per unit) | 47,649 | 47,561 |
| Dilutive effect of security based compensation | 761 | 828 |
| Denominator for diluted earnings per unit | 48,410 | 48,389 |
| Basic earnings per unit | \$ 1.32 | \$ 1.13 |
| Diluted earnings per unit | \$ 1.31 | \$ 1.12 |

15. SEGMENTED INFORMATION (\$ in thousands)

The Company operates within the retail industry. The following information is presented for the two business segments:

| Year Ended | January 2008 | January 2007 |
|--|---------------------|-------------------|
| Sales | | |
| Canada | \$ 852,773 | \$ 769,633 |
| International | 211,717 | 175,291 |
| Total | \$ 1,064,490 | \$ 944,924 |
| Net earnings before amortization, interest and income taxes | | |
| Canada | \$ 87,410 | \$ 81,730 |
| International | 19,147 | 14,639 |
| Total | \$ 106,557 | \$ 96,369 |
| Net earnings before interest and income taxes | | |
| Canada | \$ 64,776 | \$ 59,482 |
| International | 14,831 | 10,715 |
| Total | \$ 79,607 | \$ 70,197 |
| Total assets | | |
| Canada | \$ 367,882 | \$ 364,629 |
| International | 161,788 | 77,240 |
| Total | \$ 529,670 | \$ 441,869 |

International includes the operations of Alaska Commercial Company and Cost-U-Less, Inc. which was acquired on December 13, 2007 (Note 21). Included in Canada total assets is property and equipment of \$164,991 (January 31, 2007 - \$150,902). International total assets includes property, equipment of \$62,983 (January 31, 2007 - \$38,697) and goodwill of \$26,882 (January 31, 2007 - \$0).

The Company's pension benefit expense is determined as follows:

| Year Ended (\$ in thousands) | January 2008 | | | January 2007 | | |
|--|-------------------|-----------------------------------|--------------------|-------------------|-----------------------------------|--------------------|
| | Incurring in year | Matching Adjustments ¹ | Recognized in year | Incurring in year | Matching Adjustments ¹ | Recognized in year |
| Current service costs, net of employee contributions | \$ 3,492 | \$ - | \$ 3,492 | \$ 3,555 | \$ - | \$ 3,555 |
| Interest on accrued benefits | 3,041 | - | 3,041 | 2,884 | - | 2,884 |
| Return on plan assets | 2,531 | (6,006) | (3,475) | (4,986) | 1,650 | (3,336) |
| Actuarial (gain) loss | (6,488) | 7,436 | 948 | (1,602) | 2,679 | 1,077 |
| Past service costs | - | (11) | (11) | - | (11) | (11) |
| Amortization of net transition asset | - | (308) | (308) | - | (308) | (308) |
| Net benefit plan expense | \$ 2,576 | \$ 1,111 | \$ 3,687 | \$ (149) | \$ 4,010 | \$ 3,861 |

1 Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits

The expense incurred under the employee savings plan covering U.S. employees for the year ended January 31, 2008 is US\$213,000 (January 31, 2007 - US\$148,000).

16. EMPLOYEE FUTURE BENEFITS

The Company sponsors defined benefit pension plans covering the majority of Canadian employees. 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, 2008 and January 31, 2007. The accrued pension benefits and the market value of the plans' net assets were last determined by actuarial valuation as at January 1, 2006. The next actuarial valuation is required as at January 1, 2009. 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.

Total cash payments by the Company for future employee benefits, consisting of cash contributed to its pension plans and U.S. employee's savings plans for the year ended January 31, 2008 was \$4,086,000 (January 31, 2007 - \$4,069,000).

The following significant actuarial assumptions were employed to measure the accrued benefit obligations and benefit plan expense:

| Year Ended | January 2008 | January 2007 |
|--|--------------|--------------|
| Accrued benefit obligations | | |
| Discount rate | 6.0% | 5.3% |
| Rate of compensation increase | 4.0% | 4.0% |
| Benefit plan expense | | |
| Discount rate | 5.3% | 5.0% |
| Expected long-term rate of return on plan assets | 7.0% | 7.0% |
| Rate of compensation increase | 4.0% | 4.0% |

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

| Year Ended (\$ in thousands) | January 2008 | January 2007 |
|--|--------------|--------------|
| Plan assets | | |
| Fair value—beginning of year | \$ 51,723 | \$ 48,612 |
| Actual return on plan assets | (2,531) | 4,986 |
| Employer contributions | 3,855 | 3,900 |
| Employee contributions | 35 | 38 |
| Benefits paid | (3,436) | (5,813) |
| Fair value—end of year | \$ 49,646 | \$ 51,723 |
| Plan obligations | | |
| Accrued benefit obligation—beginning of year | \$ 59,636 | \$ 60,574 |
| Current service cost | 3,527 | 3,593 |
| Accrued interest on benefits | 3,041 | 2,884 |
| Benefits paid | (3,436) | (5,813) |
| Actuarial gain | (6,488) | (1,602) |
| Accrued benefit obligation—end of year | \$ 56,280 | \$ 59,636 |
| Funded status | | |
| Fair value plan assets | \$ 49,646 | \$ 51,723 |
| Accrued benefit obligation | 56,280 | 59,636 |
| Plan deficit | (6,634) | (7,913) |
| Unamortized net actuarial losses | 16,078 | 17,508 |
| Unamortized net transitional asset | (1,766) | (2,074) |
| Unamortized past service costs | (40) | (51) |
| Accrued employee future benefit asset | \$ 7,638 | \$ 7,470 |

The accrued employee future benefit asset is included in other assets in the Company's consolidated balance sheet (see Note 5).

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

| Year Ended | January 2008 | January 2007 |
|--------------------------------|--------------|--------------|
| Plan assets consist of: | | |
| Equity securities | 65% | 64% |
| Debt securities | 29% | 29% |
| Other | 6% | 7% |
| Total | 100% | 100% |

The pension plans have no investment in the units of the Fund.

17. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

a) 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, 2008 the Company has opened 26 Giant Tiger stores and is in compliance with the terms of the agreement.

b) The Company has future commitments under operating leases as follows:

| Years Ending January | Minimum Lease Payments (\$ in thousands) |
|----------------------|--|
| 2009 | \$ 19,087 |
| 2010 | 16,057 |
| 2011 | 13,804 |
| 2012 | 12,835 |
| 2013 | 11,427 |
| Thereafter | 68,756 |

Contingencies

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

b) The Company is involved in various legal matters arising in the normal course of business. The occurrence of the confirming future event 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:

a) 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.

b) 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 vary based on the specific contract. 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. No amount has been recorded in the financial statements with respect to these indemnification agreements.

18. SECURITY-BASED COMPENSATION

Deferred unit plan The Fund offers a deferred unit plan for independent Trustees. The purpose of the Trustee Deferred Unit Plan is to enhance the ability of the Fund to attract and retain independent Trustees whose training, experience and ability will contribute to the effective governance of the Fund and to directly align their interests with the interests of unitholders by providing compensation for services to the Fund in the form of units. Participants will be credited with deferred units based on the portion of fees each participant elects to allocate to the deferred unit plan. Each deferred unit will entitle the holder to receive a unit of the Fund. The deferred 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 Trustee. A participant may elect at the time of exercise of any deferred units, subject to the consent of the Fund, to have the Fund pay an amount in cash equal to the aggregate current market value of the units, determined based on the closing price of the units on the TSX on the trading day preceding the exercise date, in consideration for the surrender by the participant to the Fund the right to receive units from the exercising of the deferred units.

The Fund has adopted the fair value method of accounting for security based compensation for the Trustee Deferred Unit Plan. The deferred unit plan compensation expense recorded for the year ended January 31, 2008 is \$387,000 (January 31, 2007 - \$370,000). The liability for the deferred unit plan is recorded in accounts payable and accrued liabilities on the Company's consolidated balance sheet and is adjusted to reflect the total number of deferred units outstanding multiplied by the closing unit price at the end of the reporting period. The total number of deferred units outstanding at January 31, 2008 is 42,677 (January 31, 2007 - 24,346). There were no deferred units exercised during the year which were settled in cash.

Unit purchase loan plan The Company has a unit purchase loan plan for officers and senior management whereby loans are granted to employees to purchase units of NWF (see Note 11). These loans are in substance similar to stock options and accordingly are accounted for as stock-based compensation in accordance with section 3870 of the CICA handbook.

The compensation cost relating to the unit purchase loan plan for the year ended January 31, 2008 was \$587,000 (January 31, 2007 - \$383,000) with a corresponding increase in contributed surplus. The compensation cost is a non-cash expense and has no impact on the distributions from the Fund. There were 90,758 (January 31, 2007 - 139,138) units purchased under the unit purchase loan plan. The units are purchased at market prices and are fully vested at the time the loan is exercised. The units are pledged as security against the loan and can not be withdrawn from the plan until the principal amount of the loan is less than 65% or 80% of the market value of the units pledged as security or if the employee sells the units or leaves the Company. If the loan value as a percentage of the market value of the units pledged as security against the loan falls below the 65% to 80% threshold, the employee may reduce the number of units pledged equal to the market value in excess of the loan balance. Employees are required to make principal payments on the loan equal to the after tax distributions on the units pledged as security. The fair value of the compensation cost was estimated using the Black-Scholes model using the following assumptions:

| Year Ended | January 2008 | January 2007 |
|-------------------------|---------------------|--------------|
| Expected life | 3 or 5 years | 3 or 5 years |
| Risk-free interest rate | 4.2% | 4.1% |
| Expected volatility | 25.7% | 17.9% |

19. FINANCIAL INSTRUMENTS

Carrying Amount and Fair Value The following table presents the carrying amount and the fair value of the Company's financial instruments.

| Year Ended January 2008 (\$ in thousands) | Maturity | Assets (Liabilities) Carried at Cost/Amortized Cost | | Assets (Liabilities) Carried at Fair Value |
|--|------------|---|------------|--|
| | | Carrying Amount | Fair Value | Carrying Amount |
| Cash | Short-term | \$ 21,732 | \$ 21,732 | \$ - |
| Accounts receivable | Short-term | 62,759 | 62,759 | - |
| Financial assets included in other assets | Long-term | 4,820 | 4,820 | - |
| Bank advances and short-term notes (Note 7) | Short-term | (4,336) | (4,336) | - |
| Accounts payable and accrued liabilities | Short-term | (109,877) | (109,877) | - |
| Financial derivative instruments ¹ | Short-term | - | - | (5,116) |
| Current portion of long-term debt ¹ | Short-term | (13,517) | (13,517) | - |
| Long-term debt (Note 8) | Long-term | (136,864) | (138,001) | - |

¹ These items total \$18,633 which comprises the current portion of long-term debt (see Note 8)

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 the relatively short period to maturity.
- The fair value of long-term debt is estimated by management by discounting the expected future cash flows using the current risk-free rate on an instrument with similar terms adjusted for an appropriate risk premium for the Company's credit profile.
- Financial derivative instruments are valued based on closing market quotations.

Financial Derivative Instruments

Year Ended January 2008

| (\$ in thousands) | Notional Value | Interest Rate | Fair Value |
|--|---------------------|---------------|------------|
| Interest rate swaps in effective fair value | US\$14,000 | LIBOR plus | \$ 121 |
| hedging relationship | (2006 - US\$14,000) | 1.87% | |
| Cross-currency interest rate swaps in effective fair value | US\$7,000 | B.A. plus | 3,937 |
| hedging relationship | (2006 - US\$20,000) | 2.99% | |
| Cross-currency interest rate swaps no longer in effective fair value | US\$2,000 | B.A. plus | 1,058 |
| hedging relationship | (2006 - US\$2,000) | 3.16% | |

Financial Risk Management The Company manages risk exposures created by its use of financial instruments through a combination of derivative financial instruments, a system of internal and disclosure controls and sound operating practices.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counter party 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 customers greater than 10% of total accounts receivable. At January 31, 2008 the Company's maximum credit risk exposure is \$77,874,000 (January 31, 2007 - \$85,411,000). Of this amount \$14,585,000 (January 31, 2007 - \$15,856,000) is more than 60 days past due. The Company has recorded an allowance against its maximum exposure to credit risk of \$11,829,000 (January 31, 2007 - \$12,737,000).

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. The following table summarizes the financial liabilities by relevant maturity dates based on the remaining period at the balance sheet date to the contractual maturity date.

Liquidity Risk - Financial Liabilities

| Year Ending January 31 (\$ in thousands) | Total | 2009 | 2010 | 2011 | 2012 | 2013 | 2014+ |
|---|------------|------------|-----------|------------|-----------|-----------|-----------|
| Accounts payable and accrued liabilities | \$ 109,877 | \$ 109,877 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bank advances and short-term notes (Note 7) | 4,336 | 4,336 | - | - | - | - | - |
| Long-term debt (Note 8) | 155,497 | 18,633 | 40,132 | 94,815 | 691 | 628 | 598 |
| Operating leases | 141,966 | 19,087 | 16,057 | 13,804 | 12,835 | 11,427 | 68,756 |
| Total | \$ 411,676 | \$ 151,933 | \$ 56,189 | \$ 108,619 | \$ 13,526 | \$ 12,055 | \$ 69,354 |

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 self-sustaining foreign operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging U.S. denominated borrowings with cross currency interest rate swaps and hedging a portion of the net investment in self-sustaining foreign operations with a portion of U.S. dollar denominated borrowings.

Management considers a 10% variation in the Canadian dollar relative to the US dollar from a year end rate of 1.0022 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 \$100,000. A 10% depreciation of in the Canadian dollar against the U.S. dollar year end rate would cause net income to increase by approximately \$100,000.

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, a mixture of fixed and floating rates and cross currency interest rate swaps.

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 \$1,100,000. A 100 basis point decrease would cause net income to increase by approximately \$1,100,000.

20. CAPITAL MANAGEMENT

The Fund's objectives in managing capital are to deploy capital to provide an appropriate return to unitholders and to maintain a capital structure that provides the flexibility to take advantage of growth and development opportunities of the business, maintain existing assets, meet financial obligations and enhance unitholder value. The capital structure of the Fund consists of bank advances and short-term notes, long-term debt including the current portion and unitholder equity. The Fund manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Fund may purchase units for cancellation pursuant to normal course issuer bids, issue additional units, borrow additional funds or refinance debt at different terms and conditions.

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

- The Fund's debt-to-equity ratio at the end of the year was .62 compared to .43 last year largely as a result of additional debt incurred to fund the acquisition of Cost-U-Less, Inc. The debt-to-equity ratio is within the Fund's objectives. The debt-to-equity ratio is calculated as follows:

| Year Ended (\$ in thousands) | January 2008 | January 2007 |
|------------------------------------|--------------|--------------|
| Bank advances and short-term notes | \$ 4,336 | \$ 21,581 |
| Current portion of long-term debt | 18,633 | 20,291 |
| Long-term debt | 136,864 | 65,631 |
| Total debt | \$ 159,833 | \$ 107,503 |
| Total equity | \$ 256,301 | \$ 252,030 |
| Debt-to-equity ratio | .62 | .43 |

- As a result of borrowing agreements entered into by the Fund, 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 Trustees. At January 31, 2008, the Fund is in compliance with all financial covenants. Other than the requirements imposed by these borrowing agreements, the Fund is not subject to any externally imposed capital requirements.

Capital management objectives are reviewed on an annual basis. The capital management objectives are substantially unchanged in 2007.

21. BUSINESS ACQUISITIONS

On December 13, 2007, the Company purchased all of the issued and outstanding shares of Cost-U-Less, Inc. a leading operator of mid-size warehouse format stores in remote island communities in the South Pacific, Hawaii and the Caribbean for \$54,258,000 in cash consideration. The purchase price has been allocated to the acquired assets based on estimates of their fair values as at the closing date. The final allocation of the purchase price is dependant on certain ongoing valuations which may result in changes to the assigned values or the recognition of other intangible assets.

On May 1, 2006, the Company acquired the assets of four stores on Prince of Wales Island, Alaska for \$3,248,000 in cash consideration. On March 8, 2006, the Company acquired all of the common shares of 1089140 Ontario Inc., a retail pharmacy in Moosonee, Ontario for \$2,329,000 in cash consideration. The purchase price has been allocated to the acquired assets based on estimates of their fair values as at the closing date.

All acquisitions have been accounted for by the purchase method of accounting and the results of operations of each acquisition are included in the consolidated financial statements from their respective closing date.

The following table summarizes the fair value of the assets acquired and the liabilities assumed:

| (\$ in thousands) | Cost-U-Less, Inc. December 13, 2007 | Prince of Wales Island stores May 1, 2006 | 1089140 Ontario Inc. March 8, 2006 |
|--|--|---|--|
| Assets | | | |
| Cash | \$ 3,043 | \$ - | \$ - |
| Accounts receivable | 1,030 | - | 131 |
| Inventories | 29,842 | 1,321 | 398 |
| Prepaid expenses | 729 | - | - |
| Future income taxes | 998 | - | - |
| Property and equipment | 27,963 | 1,586 | 828 |
| Other assets | 843 | - | - |
| Intangible assets | - | 341 | 1,029 |
| Goodwill | 27,405 | - | - |
| Total Assets | \$ 91,853 | \$ 3,248 | \$ 2,386 |
| Liabilities | | | |
| Bank advances and short-term notes | \$ 3,122 | \$ - | \$ - |
| Accounts payable and accrued expenses | 30,203 | - | - |
| Current portion of long-term debt | 611 | - | - |
| Future income taxes | 828 | - | 57 |
| Long-term debt | 2,831 | - | - |
| Total Liabilities | \$ 37,595 | \$ - | \$ 57 |
| Cash consideration | \$ 54,258 | \$ 3,248 | \$ 2,329 |

Goodwill associated with the Cost-U-Less, Inc. acquisition is not deductible for tax purposes. The intangible assets are included in other assets on the Company's consolidated balance sheet.

22. DISTRIBUTIONS

The declaration of distributions from the Fund is subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees. Following is a reconciliation of distributions recorded in retained earnings and distributions paid in cash:

| Year Ended (\$ in thousands) | January 2008 | January 2007 |
|---|------------------|--------------|
| Distributions recorded in retained earnings | \$ 55,635 | \$ 43,540 |
| Special distribution paid February 22, 2008 to unitholders of record on December 31, 2007 | (5,806) | - |
| Special distribution paid February 23, 2007 to unitholders of record on December 31, 2006 | 4,838 | (4,838) |
| Distributions paid in cash | \$ 54,667 | \$ 38,702 |

23. SUBSEQUENT EVENT

On March 3, 2008, the Company acquired all of the issued and outstanding shares of privately owned Span Alaska Enterprises, Inc. (Span), a food and general merchandise distributor serving retail and wholesale customers in rural Alaska, for US\$6.3 million in cash consideration plus up to US\$1.2 million in contingent cash consideration. For the year ended December 31, 2007, Span had annual sales of US\$19.5 million and net assets of US\$2.0 million.

24. FUTURE ACCOUNTING STANDARDS

The Canadian Institute of Chartered Accounts has issued the following new accounting standards:

Inventories Section 3031 issued in June 2007 establishes new standards on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories include the cost to purchase and other costs incurred in bringing the inventories to their present location. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs recognized in the period. This standard is effective for fiscal years beginning on or after October 1, 2007. The Company will implement this standard commencing in the first quarter of 2008.

Goodwill and Intangible Assets Section 3064 issued in February 2008, provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than initial recognition of goodwill and intangible assets acquired in a business combination. The standard is effective for fiscal periods beginning on or after October 1, 2008, and requires retroactive application to prior period financial statements. The Company is currently reviewing the impact of this new standard on the consolidated financial statements and will adopt the standard commencing in fiscal 2009.

International Financial Reporting Standards The Canadian Accounting Standards Board will require all public companies to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian Generally Accepted Accounting Principles to IFRS will be applicable for the Company's first quarter of 2011 when the Company will prepare comparative financial statements using IFRS. The adoption of IFRS will have an impact on the financial statements of the Company. The Company is assessing the impact of implementing IFRS and is developing plans to facilitate a timely conversion.

25. COMPARATIVE AMOUNTS

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

Unitholder Information

Quarterly History

| Fiscal Year | Unit Price High | Unit Price Low | Unit Price Close | Volume ² | EPU ³ |
|-------------------------|-----------------|-----------------|------------------|---------------------|------------------|
| 2007 | \$ 22.68 | \$ 15.01 | \$ 18.42 | 17,329,531 | \$ 1.31 |
| April 30, 2007 | 20.93 | 15.01 | 20.55 | 6,369,558 | 0.23 |
| July 31, 2007 | 21.15 | 18.29 | 21.14 | 3,710,133 | 0.30 |
| October 31, 2007 | 21.96 | 19.25 | 21.79 | 2,847,888 | 0.39 |
| January 31, 2008 | 22.68 | 17.69 | 18.42 | 4,401,952 | 0.39 |
| 2006 | \$ 18.50 | \$ 10.64 | \$ 16.41 | 13,166,699 | \$ 1.12 |
| April 30, 2006 | 14.17 | 10.64 | 13.62 | 1,543,300 | 0.20 |
| July 31, 2006 | 15.96 | 12.65 | 15.49 | 2,360,545 | 0.27 |
| October 31, 2006 | 18.50 | 14.74 | 17.61 | 3,105,911 | 0.31 |
| January 31, 2007 | 17.19 | 12.25 | 16.41 | 6,156,943 | 0.34 |
| 2005¹ | \$ 12.83 | \$ 8.88 | \$ 12.50 | 6,955,708 | \$ 0.89 |
| April 30, 2005 | 11.25 | 9.55 | 9.75 | 1,617,400 | 0.16 |
| July 31, 2005 | 11.48 | 9.67 | 11.15 | 1,109,500 | 0.23 |
| October 31, 2005 | 11.33 | 8.88 | 9.45 | 2,180,500 | 0.25 |
| January 31, 2006 | 12.83 | 9.13 | 12.50 | 2,048,308 | 0.25 |

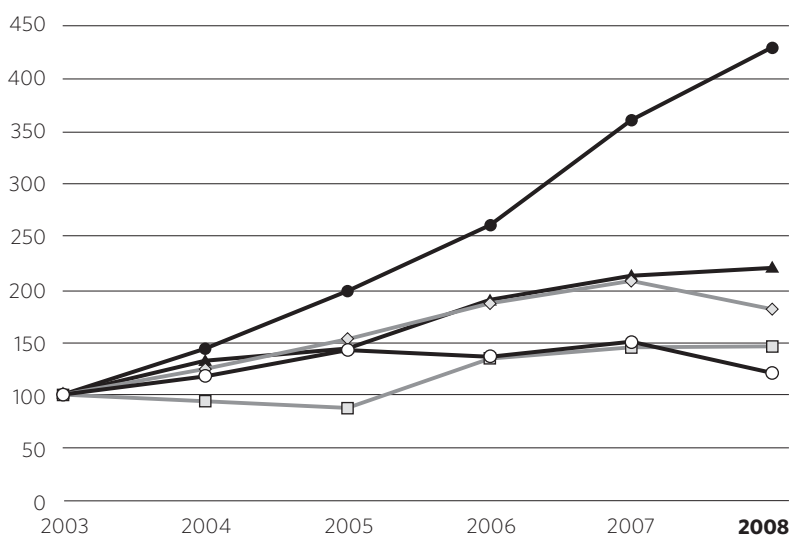
1 2005 restated for the three-for-one unit split

2 Volumes are reflected as the actual volumes traded and show a blend of pre and post September 20, 2006 unit split trades

3 Net earnings per unit on a diluted basis

Total Return Performance (% at January 31)

This chart illustrates the relative performance of units (on a post split basis) of North West Company Fund over the past five years. The index incorporates the reinvestment of dividends and income distributions.



| | | | | | | |
|-------------------------------------|-----|-----|-----|-----|-----|------------|
| NWF.UN | 100 | 144 | 200 | 260 | 362 | 431 |
| TSX Composite | 100 | 132 | 145 | 192 | 215 | 222 |
| Retailing Group | 100 | 125 | 153 | 189 | 210 | 183 |
| Consumer Durables/ Apparel Group | 100 | 93 | 87 | 135 | 146 | 147 |
| Food/Staples Retailing Group | 100 | 119 | 143 | 137 | 151 | 121 |

2008 Financial Calendar Reporting Dates

First Quarter: June 11, 2008

Second Quarter: September 11, 2008

Third Quarter: December 12, 2008

Fourth Quarter: March 19, 2009

North West Company Fund

Distribution Dates

Record & Payable Date: March 31, 2008

Distributable Date: April 15, 2008

Record & Payable Date: June 30, 2008

Distributable Date: July 15, 2008

Record and Payable Date: September 30, 2008

Distributable Date: October 15, 2008

Record and Payable Date: December 31, 2008

Distributable Date: January 15, 2009

2008 Annual and Special Meeting

The Annual and Special Meeting of Unitholders of North West Company Fund will be held on Wednesday, June 11, 2008 at 11:30 am in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba.

Transfer Agent and Registrar

CIBC Mellon Trust Company

Calgary 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 6857 82

CUSIP #: 662906-10-6

Number of units issued and outstanding at

January 31, 2008: 48,378,000

Auditors

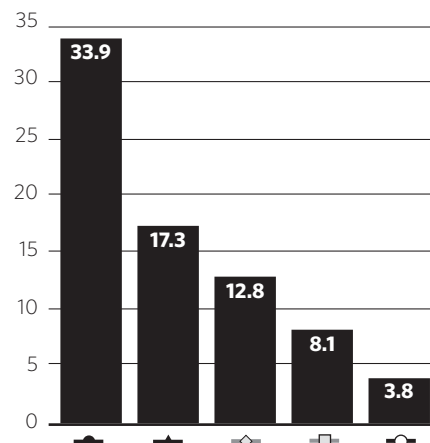
PricewaterhouseCoopers LLP

Bankers

The Toronto-Dominion Bank

Bank of Montreal

Compound Annual Growth (%)



Corporate Governance

Complete disclosure on 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 Fund's website at www.northwest.ca

Officers

NWC GP Inc.
The North West Company LP

Edward S. Kennedy
President & CEO

Léo P. Charrière
Executive Vice-President & CFO

Russell J. Zwanka
Executive Vice-President,
Procurement & Marketing

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

Scott A. McKay
Vice-President & General Manager,
Giant Tiger, West Store Division

Karen J. Milani
Vice-President,
Human Resources

John D. King
Vice-President,
Finance & Secretary

Gerald L. Mauthe
Vice-President,
Information Services

C. Sabra Stephens
Vice-President,
Logistics & Supply Chain Services

Officers

International Operations

Edward S. Kennedy^{1,2}
Chairman & CEO

Rex A. Wilhelm^{1,2}
President & COO

Henry J. Baldwin II^{1,2}
Vice-President,
Human Resources

J. Robert Cain^{1,2}
Vice-President,
Logistics

Léo P. Charrière^{1,2}
Executive Vice-President & CFO

David M. Chatyrbok¹
Vice-President,
Merchandising

John D. King^{1,2}
Vice-President,
Finance & Secretary

Benjamin C. Piatt^{1,2}
Vice-President,
Market Development

Walter E. Pickett¹
Vice-President,
& General Manager

Brian J. Rose²
Vice-President,
& General Manager

Michael T. Scalzo²
Vice-President,
Merchandising & Marketing

Reinhard Sedlacek¹
Treasurer & Assistant Secretary

International Operations

1 Alaska Commercial Company
2 Cost-U-Less, Inc.

Trustees

North West Company Fund

Ian Sutherland
Chairman

Edward S. Kennedy

David G. Broadhurst^{2,4}

Frank J. Coleman^{1,3}

Wendy F. Evans^{2,3}

Robert J. Kennedy^{1,3}

Gary J. Lukassen^{1,2}

Keith G. Martell^{2,3}

James G. Osborne^{2,4}

H. Sanford Riley^{3,4}

Committees

- 1 Governance & Nominating
- 2 Audit
- 3 Human Resources & Compensation
Supervisory
- 4 Pension Supervisory

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

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