

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

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.

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