

NORTH WEST COMPANY FUND

ANNUAL INFORMATION FORM

Year Ended January 30, 1999

JUNE 3, 1999

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ANNUAL INFORMATION FORM NORTH WEST COMPANY FUND (SUCCESSOR ISSUER TO THE NORTH WEST COMPANY INC.)

FORMATION

Effective March 27, 1997, shareholders of The North West Company Inc. (the "Company") exchanged their shares on a one-for-one basis for units (the "Units") of the North West Company Fund (the "Fund") pursuant to a reorganization of the Company (the "Reorganization") under a Plan of Arrangement (the "Plan") made pursuant to Section 192 of the Canada Business Corporations Act and approved by shareholders at a Special Meeting held on March 21, 1997.

The Fund is an open-ended trust governed by the laws of the Province of Manitoba and created pursuant to a Declaration of Trust dated as of January 31, 1997. It is administered by a Board of Trustees (the "Trustees").

The Fund is a limited purpose trust and is restricted to:

- (a) investing in such securities as may be approved from time to time by the Trustees and the Board of Directors of the Company including the Company's common shares, the Company's preferred shares, the Company's subordinated notes (the "Subordinated Notes") and the Company's variable notes and any other securities of the Company;
- (b) disposing of any part of the assets of the Fund;
- (c) temporarily holding cash and investments for the purpose of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any trust units, and making distributions to holders of the Units (the "Unitholders"); and
- (d) undertaking such other business and activities as shall be approved by the Trustees from time to time provided that such business or activity does not result in the Fund not being considered either a "unit trust" or a "mutual fund trust" for purposes of the Income Tax Act.

To the maximum extent possible, the Fund will make cash distributions to Unitholders of the interest income earned from the Subordinated Notes, dividends received on, and amounts, if any, received on redemption of the Company's common and preferred shares after expenses and any cash redemptions of Units. See "Fund's Distribution Policy"

On June 4, 1998, by special resolution, four amendments to the Declaration of Trust were approved by Unitholders at a Special and Annual Meeting of Unitholders, which amendments permit the Trustees from time to time to invest net income of the Fund in permitted investments (as described in the Declaration of Trust) and to make distributions of Units in these circumstances to Unitholders in lieu of cash.

INCORPORATION OF THE COMPANY

The Company is a wholly-owned subsidiary of the Fund and is the only subsidiary of the Fund. All of the Company's Common Shares, Preferred Shares and Subordinated Notes are held by the Fund.

The Company was incorporated under the laws of the Province of Ontario on January 17, 1978, and was continued under the laws of Canada as 155191 Canada Inc. on May 5, 1987. On July 17, 1987, the Company changed its name to Northern Stores Inc. and on March 16, 1990, to The North West Company Inc.

The Company restructured its operations effective July 1, 1991, by transferring certain operating assets into three wholly owned subsidiaries, The North West Company (NWT) Inc., The North West Company (Quebec) Inc. and The North West Company (Northern) Inc.

Effective November 1, 1992, the Company acquired Alaska Commercial Company ("AC").

On June 28, 1996, the Company amalgamated with two of its wholly-owned subsidiaries, The North West Company (Northern) Inc. and F. A. Anderson & Sons Ltd.

On July 4, 1998, the Company amalgamated with its wholly-owned subsidiary The North West Company (NWT) Inc.

The registered and principal office of the Company is located at 77 Main Street, Winnipeg, Manitoba, R3C 2R1.

GENERAL DEVELOPMENT OF THE BUSINESS OF THE COMPANY

The Common Shares, Preferred Shares and Subordinated Notes of the Company are the only assets of the Fund and accordingly the relevant disclosure with respect to the business of the Fund relates to the business of the Company.

The Company, operating under its trading names NORTHERN, NORTHMART, QUICKSTOP, THE NORTH WEST COMPANY TRADING POST, NORTHERN RENTAL PURCHASE, AC VALUE CENTER, and AC EXPRESS CENTER, is the leading provider of food and everyday products and services to remote communities across northern Canada and Alaska. The Company also operates complementary businesses, which utilize its unique heritage and knowledge of the north.

The Company's Canadian operations as at January 30, 1999 consisted of 137 NORTHERN stores, four NORTHMARTS, five stand-alone QUICKSTOP convenience stores, three NORTH WEST COMPANY TRADING POSTS and one NORTHERN RENTAL PURCHASE outlet. These 150 outlets are located in 139 communities in the Northwest Territories, Nunavut and the Canadian provinces (excluding New Brunswick, Prince Edward Island and Nova Scotia). The communities range in size from small, remote settlements with populations of as little as 300 people to larger regional locations with populations of up to 31,000 people. In 1998 the Company also operated the Inuit Art Marketing Service in Toronto, and The Odd Lots Discount Centre and Crescent Multi Foods in Winnipeg. Revenue from Canadian operations for the year ended January 30, 1999 was \$494.0 million.

The Alaska Commercial Company operates 19 AC VALUE CENTERS, one AC EXPRESS CENTER and three FE EXPRESS CENTERS, as at January 30, 1999, in rural Alaska, serving a market of approximately 150,000 people. These stores operate on a similar format to the NORTHERN stores that service remote communities in northern Canada. The Alaskan operations also include Frontier Expeditors (FE), which provides wholesale services to small independent retailers in remote areas of Alaska. Revenue from Alaskan operations for the year ended January 30, 1999, was \$135.1 million (Cdn.).

For the year ended January 30, 1999, the Company's total revenue was \$629.1 million, (January 31, 1998, \$616.7million) of which Canadian operations accounted for approximately 78.5% (1997 – 80.8%).

DESCRIPTION OF BUSINESS OF THE COMPANY

Markets

The Company operates 123 NORTHERN, NORTHMART, QUICKSTOP and AC VALUE CENTER stores in more remote communities, of which 20 are accessible by all-weather roads. The remote communities are smaller settlements inhabited principally by First Nations Indian, Metis and Inuit groups and range in population from 300 to 3,700 people. These communities generally have a stable income base, which consists of direct, non-discretionary government assistance or public sector employment such as schools, health services or local government. Demographics and income levels are also influenced by

external activities such as fishing, resource exploration, pipeline construction, hydro electricity development and related construction activity.

The Company's markets have become increasingly aware of consumer trends. The Company's food and general merchandise assortments have reflected this change and include more fresh departments in foods, as well as fashion and lifestyle products similar to those offered by retailers in more competitive urban markets. Food merchandise consists of perishable and non-perishable products including groceries, dairy products, meat, produce and convenience/fast-food services. General merchandise consists of family apparel, housewares, staples, health and beauty aids, sporting goods, toys, hardware, furniture, appliances and home entertainment products, boats, outboard motors, canoes, all-terrain vehicles and snowmobiles. The Company also provides catalogue shopping services through its Selections Catalogue.

The Company operates 50 stores in less remote, regional communities, of which 41 are road accessible. These markets range in population from 1,000 to 10,000 people. The economies of these communities are more diverse and income levels are higher than those of the more remote locations. Major sources of employment are in natural resources, transportation, health care, tourism and government services. The Company considers that of its total number of regional locations, 18 communities are dependent to varying degrees on natural resource industries.

Unusual item in 1998

In the second half of 1997 NWC launched Vision 2000+, a strategy development project aimed at strengthening the Company's competitive positioning and profitable growth potential in Canada. In May 1998, the Company announced a restructuring plan as part of the implementation of Vision 2000+.

The restructuring plan and Vision 2000+ builds long-term value in the Company's Canadian operations through the disciplined execution of three key strategies that are explained in greater detail in the 1997 annual report and updated in the 1998 annual report. The key strategies are:

- 1. Create a streamlined, efficient core business:
- 2. Create a value-driven customer and merchandise focus;
- 3. Create a superior store and direct sales capability.

The restructuring plan directly supports these strategies by reducing administrative costs, exiting non-core, lower profit store locations and reformatting the Company's core stores to capture a higher share of food and everyday household spending that is valued most by its customers. These initiatives are expected to deliver capital investment savings of \$20 million and annual expense savings of at least \$6 million by the year 2000. The restructuring costs, which have been recorded in the first quarter of 1998, are \$20 million on a pre-tax basis, including \$5 million for head office staff reductions, \$10 million for non-core business and store disposals and \$5 million for discontinued inventory in the core stores. The after tax impact is \$11.1 million, or 74 cents per unit.

Operations

Net earnings from operations for the fiscal year ended January 30, 1999 were \$16.1million or \$1.08 per unit versus net earnings of \$21.0 million or \$1.40 per unit for the fiscal year ended January 31, 1998.

Revenues increased 2.0% (4.4% decrease last year) for the 52 weeks ended January 30, 1999 over the 53 weeks in the previous fiscal year. Canadian operations experienced a 0.8% decrease in revenue. Alaskan operations recorded a 6.2% increase in revenue to \$90.6 million (U.S.).

Earnings before interest, unusual item and taxes were \$42.8 million or 6.8% of sales. Canadian earnings before interest, unusual item and taxes of \$39.0 million or 7.9% of revenue increased from \$38.0 million or 7.6% of revenue in 1997. Alaskan operations generated earnings before interest and taxes of \$3.8 compared to \$1.6 million in 1997. Interest costs for the fiscal year ended January 30, 1999, were \$13.7 million, up from \$12.3 million for the fiscal year ended January 31, 1998.

Stores and Other Facilities

Stores

The following table sets forth the number, location by region, selling area and ownership or lease arrangements pertaining to NORTHERN, NORTHMART, QUICKSTOP, THE NORTH WEST COMPANY TRADING POST, NORTHERN RENTAL PURCHASE, AC VALUE CENTER, AC EXPRESS CENTER and FE EXPRESS CENTER store locations as at January 30, 1999.

Retail Selling Facilities 000's of sq. ft.

	Number of	0		 	General	0	Manakasas	T-1-1
	Stores	Owned-1	Leased	Food	Merchandise	Service	Warehouse	Total
British Columbia	2	2	0	0	19	7	1	27
Alberta	7	6	1	12	19	16	9	56
Saskatchewan	16	15	1	30	40	34	29	133
Manitoba	32	23	9	103	130	137	47	417
Ontario	27	16	11	50	101	86	32	269
Quebec	17	15	2	42	59	77	54	232
Newfoundland	8	6	2	22	77	26	35	160
NWT	17	16	1	53	73	71	60	257
Nunavut	24	21	3	71	89	81	127	368
TOTAL Cdn stores	150	120	30	383	607	535	394	1919
Alaska Commercial Co.	23	13	10	139	90	103	81	413
TOTAL STORES	173	133	40	522	697	638	475	2332

⁽¹⁾ Of these stores, 40 are located on leased land pursuant to ground leases.

Selling areas of stores in remote communities range in size from 1,000 sq. ft. to 10,000 sq. ft. In regional communities, selling areas range from 3,000 sq. ft. to 30,000 sq. ft. The Company owns employee residences and staff houses, which are typically located, adjacent to the more remote store locations.

Other Facilities

The following table contains the location, type of facility, area and ownership or lease arrangements pertaining to the Company's other principal facilities.

Area						
Location	Type of Facility	(000's of sq.ft.)	Owned/Leased	Expiry of Lease		
Winnipeg	Distribution Centre (1)	344	Owned			
Winnipeg	Food Distribution Centre	113	Leased	2004		
Winnipeg	Head Office	113	Owned			
Toronto	Inuit Art Centre	4	Leased	1999		
Montreal	Consolidation Centre (2)	32	Leased	2001		
Anchorage	Distribution Centre	57	Leased	2004		

⁽¹⁾ The facility is located on land leased from the City of Winnipeg pursuant to a leasehold title. The land lease has a 15 year term with a purchase option during the term of the lease and an obligation to purchase the land on the expiry date which is August 31, 2007.

⁽²⁾ Lease extended from April 1, 1998 to March 31, 2001 reducing the size to 32,000 sq. ft.

Competition

The Company faces fragmented competition in its remote locations. Competition consists of stores operated by local Inuit and First Nations peoples, native village corporations (in Alaska), independent store owners and local co-operatives, some of which are associated with regional or national buying groups. In Canada, all of these communities have access to mail order catalogue and direct mail services such as those provided by Sears Canada Inc., the Winnipeg Fur Exchange and Wal-Mart. In Alaska, this type of competition is more intense and includes catalogues directed solely at the rural Alaska market by Anchorage retailers such as Wal-Mart and Sears. Competition has been increasing with the emergence of native organizations partly funded by land settlement claims or government economic development programs. The strength of this competition varies considerably depending on the management skills and financial strength of local operators.

In 19 of the larger communities, the Company competes directly with Canadian secondary market chains such as True Value, Fields, Saan and I.G.A. as well as home shopping networks. AC competes directly with Safeway in four markets and Wal-Mart in one market. The marketing strategy for these competitors tends to be centrally directed from head office with local management responsible for administration. In all of its regional locations, the Company competes against independent merchants who maintain market share due to strong local loyalties and through established customer relationships. Additionally, 41 locations of the Company are within three hours driving distance of small to medium urban centres offering alternative shopping.

Distribution

In support of its general merchandise operations the Company owns and operates a 344,000 square foot distribution centre in Winnipeg (the "Retail Service Centre"). The Retail Service Centre which opened in April 1993, provides the Company with state-of-the-art distribution capabilities and warehousing of central stock to service its stores in Canada and its Selections Catalogue customers.

In addition to the Retail Service Centre, the Company opened an 113,000 square foot food warehouse (the "Warehouse") in Winnipeg in October of 1994. The warehouse is equipped with freezers and coolers and provides food services to its stores throughout Canada.

Third party consolidation and distribution facilities operate in Toronto and Edmonton. Consolidation centres in Montreal, Toronto and Edmonton serve as freight terminals to receive and consolidate goods in order to capitalize on lowering transportation costs. The Montreal facility also consolidates and loads containers for shipping to the Arctic by sea-going vessels ("sealift") in a joint venture between the Company and Logistics Corporation.

In support of its AC Value Center ("AC") and Frontier Expeditors ("FEI") operations the Company operates a 57,000-sq. ft. warehouse in Anchorage. The Anchorage Distribution Center (ADC) was opened in the fall of 1994 and is a leased facility. The ADC provides cross-dock distributions of food, apparel and general merchandise and is a warehouse facility for fast-moving grocery items as well as basic apparel and hardlines (appliances, furniture, electronics, housewares, etc). Most of the stores' product is transported via ship from Seattle to Anchorage and then flown to the stores. AC's head office is part of the ADC facility.

Transportation

Due to the vast geography of the Company's store network, transportation is an important element of the Company's operations. The majority of stores are inaccessible by all-weather roads and the balance are relatively distant from major transportation corridors. As a result, stores are serviced by all available modes of transportation including sealift, barge, winter roads, trucks, rail and air.

Sealift was the original method of supplying ports on the shores of Hudson Bay and remains the most cost effective method of servicing approximately 25 NORTHERN stores today. The Company owns 50% of the shipping company Transport Nanuk, which operates two vessels: the M.V. Aivik and the M.V.

Lucien Paquin. These ships carry supplies to ports in the Canadian Arctic during the summer months and during the rest of the year undertake coastal or international voyages on behalf of various shippers.

Buying

In Canada, the Company operates a food buying office in Winnipeg, which reports through a Director, Food Marketing. The Company has good relationships with its broad supplier base. No contractual obligations or other agreements exist which might prevent the Company from obtaining the best possible buying arrangement.

General merchandise buying is the responsibility of the Director of Apparel/Footwear and Director of Hardlines. All categories of general merchandise are bought through the Company's head office buying group in Winnipeg. The Company maintains good relationships with a broad supplier base. General merchandise sourcing is committed on a seasonal basis or through an ongoing relationship with appropriate industry suppliers.

Buying for AC and FEI is handled by a buying office located in Anchorage which sources product locally as well as from the lower 48 states. Because of AC's size, more product is sourced through wholesalers and distributors rather than purchased directly from manufacturers as compared to the Company's Canadian operations.

Information Services

The Company's focus in 1998 was on ensuring that its systems will be Y2K complaint. The major activities in this regard were the inventorying and assessing of all possible Y2K related events, and then developing contingency plans for all eventualities that were assessed as having a potentially serious business impact. Most systems are Y2K complaint as at May 1999, and by September 1, 1999 all systems will be complaint with contingency plans in place.

The largest non-Y2k compliant system was the company's merchandising system, which managed the food warehouse and merchandise ordering and planning functions. The general merchandise component was replaced in early 1998 and the remaining components were replaced in early fiscal 1999 with Retek™. Retek provides integrated enterprise functions for merchandise buying, central item maintenance, sales analysis and inventory management. Retek is interfaced with PeopleSoft Financials, which were implemented in early 1998. In 1999 analytical systems such as Cognos' Power Play and Impromptu will be used extensively to analyze and act on the supply chain data that Retek and PeopleSoft provides. This analysis will be used to continuously continue streamline operations.

Retek has very strong forecasting capabilities, and the company is planning to move to an automated store replenishment system in 2000. Lastly Retek is also a fully web-enabled enterprise system, and as such it positions the company well for electronic commerce.

Credit Services

Most day-to-day credit decisions are the responsibility of the local store managers. All accounts are reviewed monthly and the allowance for doubtful accounts is adjusted to reflect changes in the currency of outstanding balances. Allowances are adequate to cover the bad debts for the year. Management believes that most day-to-day credit decisions are most appropriately handled by store managers because of their intimate knowledge of the local economic conditions and their personal acquaintance with most of their customers. For the year ended January 30, 1999, bad debt experience in NORTHERN stores was 1.2% to credit sales, compared to 1.0% for the year ended January 31, 1998. There were approximately 47,366 active accounts maintained in the stores as at January 30, 1999, with an average balance of \$758 (January 31, 1998 – 49,000 active accounts with an average balance of \$735). The number of active accounts declined in 1998 primarily due to the sale of receivables to a finance company. Service charge rates applied to accounts compare favourably with those offered by major department stores.

The Company accepts bank debit and credit cards, which accounted for 16.8% of total sales in 1998 (up from 14.0% in fiscal 1997).

AC offers credit services to customers using the same accounts that are used in Canadian operations.

Capital Expenditures

For the year ended January 30, 1999 total capital expenditures amounted to \$17.1 million compared to \$28.8 million for the year ended January 31, 1998. Capital expenditures for the year ending January 29, 2000 are expected to be approximately \$19.0 million and will be financed out of operating cash flow and existing lines of credit.

Management of Sales and Operations

In Canada, each store employs a full-time manager who has primary responsibility to monitor daily operations, maximize selling opportunities and safeguard Company assets. The organizational structure of the Sales & Operations Department includes 14 Regions, each of which is managed by a Director, Sales and Operations.

Each Director, Sales and Operations reports to the Vice-President, Sales and Operations, and is responsible for the store level execution of corporate strategies, policies and programs. The Sales and Operations Department contributes to the development of these initiatives by providing front line feedback from daily contact with staff, customers and communities.

In Alaska, Sales & Operations are divided into a large store group and small store group, each reporting to a Sales & Operations Vice-President. Support for Sales & Operations is provided directly by AC's Human Resources, Marketing departments and Winnipeg based Information Systems and Accounting departments.

Employees

At January 30, 1999 the Company employed 4,458 people, including 635 in Alaska.

A collective agreement covers 22 of the employees working in one store in Manitoba. The overall relationship between the Company and its employees is good.

The Company is active in the recruitment of aboriginal people for positions in stores, corporate and distribution Centres. Training and development of employees is also a major focus across the Company. Particular attention is being paid toward enhancing food expertise within store operations and with those who have category management responsibilities. Other programs in Canada include an employer-supported educational reimbursement program and an eight-day development program for store managers. Store employees participate in the Stores Training Program which, when fully developed, will consist of 150 training modules describing components of our store operations. In Alaska, the focus is on industry-sponsored training materials and the recruitment of more senior people for store operations positions.

Other Business Segments

The Company operates a Fur Marketing Division, an Inuit Art Division and Crescent Multifoods, a produce distribution business. These businesses are all complimentary to its core NORTHERN store retail operations.

The Fur Marketing Division purchases furs from trappers, and also sells aboriginal handicrafts and outerwear to the local and tourist retail market through North West Company Trading Post outlets.

The Inuit Art Division, located in Toronto, procures and markets carvings from Native artisans and is the largest Inuit art marketing service in Canada.

Crescent Multifoods is a full-line produce distribution business that serves Northern and North Mart stores in Manitoba and northern Ontario as well as third party customers in Winnipeg and the surrounding area.

Environment

The Company is subject to environmental regulation pursuant to federal, provincial and state legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances handled by the Company. A breach of such legislation may result in the imposition of fines and penalties. To ensure that the Company is in compliance with applicable environmental laws, the Director of Construction and Store Planning has been appointed as its Environmental Officer and he reports quarterly to the board of directors of the Company.

The Company is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment. The Company believes it is in substantial compliance with applicable environmental laws and regulations and does not believe the increased expenditures will have a material effect on the Company's earnings.

Risks

The risks related to the Company's foreign operations in Alaska are discussed on page 18 of the Management Discussion and Analysis in the Company's annual report for the fiscal year ended January 30, 1999, which is incorporated herein by reference.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars)

	52 Weeks Ended Jan. 30/99	53 Weeks Ended Jan. 31/98	52 Weeks Ended Jan. 25/97	52 Weeks Ended Jan. 27/96	52 Weeks Ended Jan. 28/95
RESULTS FOR THE YEAR					
Sales and other revenue	\$629,118	\$616,710	\$590,583	\$592,034	\$586,242
Earnings before interest, unusual item and income taxes	42,831	39,587	43,208	32,860	38,432
Unusual item	(20,000)	-	-	(16,129)	-
Earnings (loss)	\$16,145	\$21,037	17,858	(5,172)	16,239
PER UNIT/SHARE VALUES (Dollars)					
Basic and fully diluted earnings before unusual item	1.82	1.40	1.18	.68	1.00
Net earnings (loss) – fully diluted	1.08	1.40	1.18	(0.32)	1.00
Distributions/dividends paid in cash	1.00	0.60	0.40	0.40	0.39
Distributions/dividends paid in units	.25	-	-	-	-
Equity at end of year	10.94	10.68	9.82	9.02	9.90
Balance Sheet Items					
- Total assets	393,281	425,136	383,736	375,947	392,434
- Total long-term debt	132,571	134,476	135,228	142,736	85,939
FINANCIAL RATIOS %					
EBIUT (% of Sales)	6.8%	6.4%	7.3%	5.6%	6.6%
Return on Net Assets* before unusual item	12.0%	11.4%	13.4%	9.8%	12.4%
Return on Average Equity before unusual item	17.6%	13.9%	12.7%	7.0%	10.6%

^{*}Earnings before interest, unusual item and income taxes as a percent of average net assets employed.

QUARTERLY RESULTS

(in thousands of Canadian dollars)

QUARTER		First	Second	Third	Fourth	TOTAL
Sales and Other Revenue	1998 1997	145,253 138,602	157,803 149,757	158,940 150,058	167,122 178,293	629,118 616,710
	1007	100,002	1 10,7 01	100,000	110,200	010,110
Net Earnings (Loss)	1998	(8,724)	7,734	7,445	9,690	16,145
	1997	2,327	5,356	6,039	7,315	21.037
E.P.U before unusual item	1998	0.19	0.51	0.50	0.62	1.82
	1997	0.16	0.35	0.40	0.49	1.40
E.P.U.	1998	(0.58)	0.51	0.50	0.65	1.08
	1997	0.16	0.35	0.40	0.49	1.40

Distributions/Dividends

The Company began paying a quarterly dividend of \$0.08 per share in April, 1990. In April, 1992, the quarterly dividend rate was increased to \$0.09 per share; in March, 1994, it was increased to \$0.10 per share. On February 17, 1997 the Company declared a final dividend of \$0.10, payable April 30, 1997 to shareholders of record on March 26, 1997.

The Fund paid an initial distribution of \$0.175 to Unitholders on September 15, 1997 and a second distribution of \$0.22 on December 15, 1997. Quarterly distributions were increased to \$0.25 effective the March 15, 1998 payment and a final unit distribution of \$0.25 per unit was made on December 31,1998. Quarterly cash distributions were increased to \$0.30 per unit effective March 15,1999.

1998 compared to 1997

Sales and Other Revenue

In 1998 sales and other revenue increased 2.0% to \$629.1 million from \$616.7 million. Revenues for the year included 52 weeks of sales compared to 53 weeks in the previous fiscal year.

Canadian operations experienced a 0.8% decrease, with food sales gaining over 0.4% and general merchandise sales decreased 1.0%. Revenues from Alaskan operations for 1998 were \$135.1 million, an increase of 13.8% over \$118.7 million in 1997.

Earnings

Net earnings were \$16.1 million, compared to \$21.0 in 1997. Earnings per Unit were \$1.08 compared to earnings per share of \$1.40 in 1997.

Canadian operations generated an EBIUT of \$39.0 million in 1998, a 2.8% increase compared to \$38.0 million in 1997. Alaskan operations EBIT of \$3.8 million compared to \$1.6 million in 1997.

Liquidity and Capital Resources

At January 30, 1999, net working capital was \$94.1 million, representing a nominal change from \$92.3 million at the previous year-end. . Accounts receivable of \$47.0 million decreased 27.1% during the year. Inventories of \$114.0 million decreased 15.2% from \$134.4 million in 1997. Financing activities during the year generated a net cash inflow of \$3.2 million.

1997 compared to 1996

Sales and Other Revenue

In 1997 sales and other revenue increased 4.4% to \$616.7 million from \$590.6 million. Revenues for the year included 53 weeks of sales compared to 52 weeks in the previous fiscal year.

Canadian operations experienced a 5.0% increase, with food sales gaining over 6.0% and general merchandise sales 3.0%. Revenues from Alaskan operations for 1997 were \$118.7 million, an increase of 2.2% over \$116.1 million in 1996.

Earnings

Net earnings were \$21.0 million, compared to \$17.9 in 1996. Earnings per Unit were \$1.40 compared to earnings per share of \$1.18 in 1996.

Canadian operations generated an operating profit of \$38.0 million in 1996, an 11.6% decrease compared to \$43.0 million in 1996. Alaskan operations operating profit of \$1.6 million compared to \$191,000 in 1996.

Liquidity and Capital Resources

At January 31, 1998, net working capital was \$92.9 million, representing a nominal change from \$92.3 million at the previous year end. Cash on hand and in transit of \$0.4 million, was \$7.0 million more than last year. Accounts receivable of \$64.4 million increased 11.7% during the year. Inventories of \$134.4 million increased 7.0% from \$127.4 in 1996. Financing activities during the year generated a net cash outflow of \$1.8 million.

1996 compared to 1995

Sales and Other Revenue

In 1996 sales and other revenue decreased 0.2% to \$590.6 million from \$592.0 million. Revenues for the year included 52 weeks of sales as did the previous fiscal year.

Canadian operations experienced a 0.9% increase, with food sales up 3.5% and general merchandise sales down 6.4%. Fur sales of \$3.2 million increased 44.9% as a result of better markets. Revenues from Alaskan operations for 1996 were \$116.1 million compared to \$121.7 million in 1995.

Earnings

Net earnings were \$17.9 million, compared to a 1995 loss of \$5.2 million. Fully diluted net earnings per share were \$1.18 compared to losses of \$0.32 in 1995. A provision of \$16.1 million was taken in the Alaskan operations in the fourth quarter of 1995 to provide for losses on the disposition of marina and home center assets and for a reduction in carrying value of certain stores that had been adversely affected by market conditions.

Canadian operations generated an operating profit of \$43.0 million in 1996 compared to \$34.9 million in 1995. Alaskan operations reported an operating profit of \$191,000 in 1996 versus a loss of \$2.1 million in 1995.

Liquidity and Capital Resources

At January 25, 1997, net working capital was \$92.3 million, a 9.8% decrease from \$102.3 million at the previous year end. Cash on hand and in transit of \$3.4 million, was \$1.8 million less than last year. Accounts receivable of \$52.7 million increased 6.0% during the year. Inventories of \$127.4 million increased 1.0% during the year. Financing activities during the year generated a net cash outflow of \$9.6 million, resulting from a combination of repayment of long-term debt and purchase of shares for cancellation.

1995 compared to 1994

Sales and Other Revenue

In 1995 sales and other revenue increased 1.0% from \$586.2 million to \$592.0 million. Revenues for the year included 52 weeks of sales as did the previous fiscal year.

Canadian operations experienced a 0.1% decrease, with food sales up 3.4% and general merchandise sales down 5.0%. Fur sales of \$2.3 million decreased 19.3% as a result of weaker markets. Revenues from Alaskan operations for 1995 were \$121.7 million compared to \$115.4 million in 1994.

Earnings

Net losses were \$5.2 million, compared to 1994 earnings of \$16.2 million. Fully diluted net loss per share was \$0.32 compared to earnings of \$1.00 in 1994. A provision of \$16.1 million was taken in the Alaskan operations in the fourth quarter to provide for losses on the disposition of marina and home center assets and for a reduction in carrying value of certain stores that have been adversely affected by market conditions. The carrying value was reduced to a value that can be realized by sale, future cash flows or alternative use.

Canadian operations generated an operating profit of \$34.9 million in 1995 compared to \$38.4 million in 1994. Alaskan operations reported an operating loss of \$2.1 million in 1995 versus a profit of \$49,000 in 1994.

Liquidity and Capital Resources

At January 27, 1996, net working capital was \$102.3 million, a 49% increase from \$68.7 million at the previous year end. Cash on hand and in transit of \$5.2 million, was \$1.3 million less than last year. Accounts receivable of \$49.7 million decreased 4.3% during the year. Inventories of \$126.2 million decreased 12% from the higher levels at the end of 1994. Financing activities during the year generated a net cash inflow of \$42.0 million, with \$112 million resulting from a bond issue offset by repayment of long-term debt and purchase of shares for cancellation.

1994 compared to 1993

Sales and Other Revenue

In 1994 sales and other revenue increased 6.8% from \$548.7 million to \$586.2 million. Revenues for the year included 52 weeks of sales as did the previous fiscal year.

Canadian operations delivered a 4.4% increase, with food sales up 6.5% and general merchandise sales up 6.0%. Shipping revenues of \$0.6 million decreased from \$8.8 million the prior year as shipping operations were sold in March 1994. Fur sales of \$2.9 million increased 73.2% as a result of improved markets. Revenues from Alaskan operations for 1994 were \$115.4 million compared to \$97.7 million in 1993.

Earnings

Net earnings were \$16.2 million, a decrease from 1993 earnings of \$17.2 million. Fully diluted net earnings were \$1.00 per share compared to \$1.06 in 1993. Canadian operations generated an operating profit of \$38.4 million in 1994 compared to \$34.0 million in 1993. Alaskan operations reported an operating profit of \$49,000 in 1994 versus \$4.0 million in 1993.

Liquidity and Capital Resources

At January 28, 1995, net working capital was \$68.7 million, a 30.4% decrease from \$98.7 million at the previous year end. Working capital from the Alaska operation decreased \$5.6 million in 1994 to \$6.9 million, due to increased operating loans required to finance store acquisitions and expansions. Cash on hand and in transit of \$6.5 million, was \$0.6 million less than last year. Accounts receivables of \$52.0 million decreased 2.0% during the year. Inventories of \$143.4 million increased 19.6% as a result of acquisitions and expansions, building basic stocks, as well as broadened fresh and prepared foods assortments. Financing activities during the year generated a net cash outflow of \$2.2 million. New long term debt accounted for a \$7.9 million inflow, while term loan repayments required \$10.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the section entitled "Management's Discussion and Analysis" on pages 14 through 20 of the Fund's 1998 Annual Report to Unitholders, which section is incorporated herein by reference.

MARKET FOR SECURITIES

Units of the Fund are listed on The Toronto Stock Exchange and The Winnipeg Stock Exchange, trading as NWF.UN.

FUND'S DISTRIBUTION POLICY

The Directors and Trustees will reassess the level of cash distributions based on the achievement of the Company's targeted debt-to-equity ratio, its debt rating, the Company's capital requirements for expansion and/or acquisitions, and the Company's business prospects.

TRUSTEES AND OFFICERS OF THE FUND

The name, municipality of residence, position and principal occupation of the Trustees and Officers of the Fund are as follows:

Name and Municipality		
of Residence	Position Held	Principal Occupation
Ian Sutherland	Trustee	Chairman of the Board of the Company
Winnipeg, Manitoba		
Kevin R. Bolt	Trustee	Partner
Winnipeg, Manitoba		Aikins, MacAulay & Thorvaldson
David G. Broadhurst	Trustee	President
Toronto, Ontario		Reeve Court Insurance Limited
Gary V. Eggertson	Chief Financial	Vice-President, Chief Financial
Winnipeg, Manitoba	Officer and Secretary	Officer and Secretary of the Company
Reinhard Sedlacek	Treasurer	Director, Planning and Treasury
Winnipeg, Manitoba		Services of the Company

DIRECTORS AND OFFICERS OF THE COMPANY

The name, municipality of residence, position and principal occupation of each of the Directors and Officers of the Company are as follows:

DIRECTORS

Name and Municipality of Residence	Director Since	Position Held	Principal Occupation if Different from Office Held
Ian Sutherland [1,5] Winnipeg, Manitoba	1978	Chairman of the Board and Director	
Edward S. Kennedy Winnipeg, Manitoba	1996	President and Chief Executive Officer and Director	
Lloyd I. Barber [2,3,5] Regina Beach, Saskatchewan	1991	Director	President Emeritus, University of Regina
Donald A. Beaumont [1,3,4] Toronto, Ontario	1996	Director	President, Beaumont & Associates
Nellie Cournoyea [4,5] Inuvik, Northwest Territories	1996	Director	Chairperson & Chief Executive Officer Inuvialuit Regional Corporation
Raymond Doré [2,3] Toronto, Ontario	1987	Director	Chairman & Chief Executive Officer MCAP Financial Corporation
Gary J. Lukassen [1,3,4] Mississauga, Ontario	1987	Director	Executive Vice-President and Chief Financial Officer Hudson's Bay Company
Stanley McKay [2,4] Beausejour, Manitoba	1994	Director	Director, Spiritual Care, Health Sciences Centre; Co-Director, Dr. Jessie Saulteaux Resource Centre
Sterling J. McLeod [3,5] Winnipeg, Manitoba	1993	Director	Consultant, Investors Group Inc.
James G. Oborne [1,2,5] Winnipeg, Manitoba	1987	Director	President, Westgate Capital Management Corp.
T. lain Ronald [1,2,4] Toronto, Ontario	1987	Director	Corporate Director

- [1] Member of the Executive Committee
- [2] Member of Corporate Governance and Nominating Committee
- [3] Member of the Audit Committee
- [4] Member of the Human Resources and Compensation Committee
- [5] Member of the Pension Committee

OFFICERS

lan Sutherland Winnipeg, Manitoba	Chairman of the Board and Director
Edward S. Kennedy Winnipeg, Manitoba	President, Chief Executive Officer and Director
Gary V. Eggertson Winnipeg, Manitoba	Vice-President, Chief Financial Officer and Secretary

Leonard G. Flett Vice-President, Store Development

Winnipeg, Manitoba and Public Affairs

John R. McFerran Vice-President, Winnipeg, Manitoba Human Resources

Carl A. McKay Vice-President, Sales

Winnipeg, Manitoba and Operations

Terence (Terry) P. Sweeney Vice-President,
Winnipeg, Manitoba Information Services

Bradley R. Vollrath Vice-President,

Winnipeg, Manitoba Logistics

All the Trustees, Directors and Officers have held their present positions or other executive positions with the same or associated firms or organizations during the past five (5) years, except as follows:

Donald Beaumont retired in January, 1996, as President and CEO of Kmart Canada Ltd. He is now President of Beaumont & Associates, Retail Consultants.

Prior to June 1998, Kevin Bolt was a Partner of Pitblado & Hoskin.

From April 1996 to the end of May 1998, David Broadhurst was an Investment Banker with First Marathon Securities Limited. Prior to that he was a Partner of Price Waterhouse.

Nellie Cournoyea was Government Leader of the Northwest Territories from November 1991 to November 1995.

In October 1997, Stanley McKay was seconded by the Health Sciences Centre (HSC) of Winnipeg as Director, Spiritual Care. In 1994 he completed a two-year elected term as Moderator of the United Church of Canada in August, 1994, and returned to the Dr. Jessie Saulteaux Resource Centre, with which he had been associated before his United Church of Canada appointment, as the Centre's Director. He will continue his association with the Centre as Co-Director during his term with HSC.

T. Iain Ronald was Chairman of the Board of the Company from June, 1994 to March 21, 1997. He was Vice-Chairman, Canadian Imperial Bank of Commerce, prior to his retirement in February, 1995.

Ian Sutherland was President and CEO of the Company from November 1, 1993, to March 21, 1997.

Terence (Terry) P. Sweeney joined the Company on October 5, 1998. He had been Principal-In-Charge at KPMG in Toronto where he led the development of their Knowledge Management practice in Canada.

The term of office of each of the Trustees of the Fund and the Directors of the Company expires at the next Annual Meeting of the Fund.

Trustees and Officers of the Fund and Directors and Officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over, 5.3% of the outstanding Units of the Fund as of the date of this report. The issued and outstanding capital of the Fund consists of 15,000,000 Units as at June 3, 1999.

UNITHOLDER RIGHTS PLAN

Pursuant to the Reorganization, a Unitholder Rights Plan (the "Rights Plan") was implemented for the Fund effective March 27, 1997. The Rights Plan, which is aimed at preventing a takeover situation that either prejudices the minority Unitholders of the Fund or prevents the Fund from maximizing Unitholder value in a sale process, remains in effect.

ADDITIONAL INFORMATION

The Fund will provide to any persons, upon request to the Vice-President, Chief Financial Officer and Secretary of the Fund, Gibraltar House, 77 Main Street, Winnipeg, Manitoba, R3C 2R1, when the securities of the Fund are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of the Fund's securities, the following:

- (i) one copy of the most recent Annual Information Form of the Fund, together with one copy of any document or the pertinent pages of any document, incorporated by reference into such Annual Information Form:
- (ii) one copy of the comparative financial statements of the Fund for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Fund subsequent to the financial statements for its most recently completed financial year;
- (iii) one copy of the information circular of the Fund in respect of its most recent annual meeting of Unitholders that involved the election of Trustees of the Fund and Directors of the Company, or one copy of any annual filing prepared in lieu of that information circular, as appropriate; and
- (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under paragraphs (i), (ii) or (iii) above.

At any other time, one copy of the above documents referred to in paragraphs (i), (ii), (iii) and (iv) shall be provided upon request to the Vice-President, Chief Financial Officer and Secretary of the Fund, Gibraltar House, 77 Main Street, Winnipeg, Manitoba, R3C 2R1, provided that the Fund may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Fund.

Additional information including Trustees', Directors' and Officers' remuneration and indebtedness, principal holders of the Fund's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Fund's information circular for its most recent annual meeting of Unitholders that involved the election of Trustees and additional financial information is provided in the Company's comparative financial statements for its most recently completed financial year.