

2008 FIRST QUARTER REPORT TO UNITHOLDERS

Report to Unitholders

The North West Company Fund reports first quarter earnings to April 30, 2008 of \$15.2 million, an increase of 41.0% over last year's first quarter earnings of \$10.8 million. Diluted earnings per unit improved to \$0.32 compared to \$0.23 last year.

Sales increased 34.6% to \$315.5 million compared to the first quarter last year and were up 4.7% on a same store basis excluding the foreign exchange impact of a stronger Canadian dollar. Sales from new stores, including the acquisition of Cost-U-Less, Inc. on December 13, 2007, and strong same store sales growth in Canada and Alaska were the leading factors contributing to the sales increase in the quarter.

The Trustees have approved a quarterly distribution of \$0.32 per unit to unitholders of record on June 30, 2008.

On behalf of the Trustees:



Ian Sutherland
Chairman



Edward S. Kennedy
President and Chief Executive Officer

Management's Discussion & Analysis

CONSOLIDATED RESULTS

First quarter consolidated sales increased 34.6% to \$315.5 million compared to \$234.4 million in 2007 and were up 37.6% excluding the foreign exchange impact of a stronger Canadian dollar. On a same store basis, sales increased 4.7% excluding the foreign exchange impact and were up 5.2% including the comparable increases from Cost-U-Less (CUL) stores open for more than one year. Food sales increased 41.7% and were up 5.2% on a same store basis excluding CUL and the foreign exchange impact. General merchandise sales increased by 28.8% and were up 3.1% on a same store basis excluding CUL and the foreign exchange impact. Sales from new stores, including the acquisition of Cost-U-Less, Inc. on December 13, 2007, and strong same store sales growth in Canada and Alaska were the leading factors contributing to the sales increase in the quarter.

Cost of sales, selling and administrative expenses increased 36.1% to \$289.5 million and increased 100 basis points as a percentage to sales compared to the first quarter of 2007. New and non-comparable store expenses accounted for substantially all of the dollar increase, with the primary reason being the discount margin structure of the CUL stores. On a comparable store basis, cost of sales, selling and administrative expenses decreased 77 basis points as a percentage to sales. Higher freight and energy related costs in our stores were more than offset by gains in financial services fees and staff productivity in Canada.

Trading profit¹ or net earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 20.0% to \$25.9 million compared to \$21.6 million in the first quarter last year and was up 7.3% excluding the impact of CUL. Sales growth and improvements in staff productivity were the leading factors contributing to the trading profit dollar increase, offsetting lower gross profit rates in the quarter. Amortization increased 17.1% to \$7.8 million largely due to depreciation on new stores. Interest expense increased 30.3% to \$2.1 million as a result of higher average debt levels in the quarter in part due to additional borrowings to fund the CUL acquisition. Income taxes decreased \$1.7 million to \$750,000 due to lower income taxes in the Canadian operations as a result of the reorganization completed in the second quarter of 2007. The reorganization changes the flow of earnings from the limited partnership to the Fund such that the majority of the Canadian operations pre-tax earnings now flow to the Fund. The decrease in Canadian income taxes was partially offset by an increase in income taxes in the International operations as a result of higher earnings.

Net earnings increased \$4.4 million or 41.0% to \$15.2 million. Diluted earnings per unit were up 39.1% to \$0.32 compared to \$0.23 last year.

CANADIAN OPERATIONS

Canadian sales for the quarter increased 9.5% to \$210.5 million up from \$192.3 million last year and were up 4.4% on a same store basis. Food sales increased 8.8% and were up 5.0% on a same store basis. Food inflation was approximately 3.0%. The leading growth categories were beverages, grocery, tobacco and frozen foods. Food sales in stores in urban markets and less remote locations continue to be impacted by more intense competitive price discounting. General merchandise sales were up 10.3% over last year as a result of new stores and increased 2.8% on a same store basis. Higher discretionary spending related to strong resource based economies and residual Indian Residential School Settlement payments drove sales gains in transportation, electronics and home furnishings, offsetting soft sales in urban markets and less remote locations.

Sales growth contributed to a 6.7% increase in gross profit dollars, net of a 79 basis points drop in gross profit rate compared to the first quarter last year. Higher sales growth in lower margin categories such as transportation and electronics and market-driven price reductions in staple food categories such as dairy and bread continued to impact the gross profit rate. Rising fuel-related freight costs were also a factor. Operating expenses increased 4.4% but were down 109 basis points as a percentage to sales due to sales growth, higher staff productivity and lower debt loss expense. Canadian trading profit increased 10.0% to \$20.4 million or 9.7% of sales compared to 9.6% of sales in the first quarter last year.

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International operations sales increased \$67.7 million to \$104.2 million compared to \$36.5 million in the first quarter last year largely due to the acquisition of CUL and were up 6.3% on a same store basis (up 6.9% including comparable increases from CUL stores open for more than one year). The acquisition of Span Alaska Enterprises, Inc. (Span) on March 3, 2008 also contributed to the sales increase in the quarter. Span is a food and general merchandise distributor serving retail and wholesale customers in rural Alaska. The acquisition of Span will complement our existing wholesale operation, Frontier Expeditors, while improving the cost structure of both entities.

¹ See Non GAAP Measures Section of Management's Discussion & Analysis

Food sales increased 6.4% on a same store basis led by sales gains in grocery, snack foods, beverages, and chilled foods categories. Food inflation was approximately 4.5%. General merchandise same store sales increased 5.9% with transportation and electronics categories contributing the largest gains.

Gross profit dollars were up 109.7% as a result of sales gains. The gross profit rate decreased from last year due to a higher sales blend from lower margin categories such as transportation and electronics and the overall impact of the lower margin structure at CUL. Operating expense dollars increased 107.0% compared to the first quarter last year but decreased as a percentage to sales as a result of the CUL acquisition. On a comparable basis, operating expenses increased 7.8% and increased 65 basis points as a percentage to sales due in part to higher staff costs and net debt loss.

Trading profit increased \$2.8 million to \$5.5 million reflecting the impact of the new stores. Excluding the CUL stores, trading profit increased 4.5% and as a percent of sales was 6.8% compared to 7.4% in the first quarter last year.

FINANCIAL CONDITION

Financial Ratios

The Fund's debt-to-equity ratio at the end of the quarter was .74:1 compared to .47:1 last year largely due to the additional debt incurred for the acquisition of Cost-U-Less. The debt-to-equity ratio at January 31, 2008 was .62:1.

Working capital increased \$39.3 million compared to last year. The increase in inventories is substantially due to the acquisition of CUL as well as new stores in Canada. The decrease in bank advances and short-term notes is due to the transfer of the majority of the credit lines to long-term debt as a result of the renegotiation of credit lines from a demand facility to a three year committed facility completed in the fourth quarter last year. Accounts payable and accrued liabilities increased from the prior year due largely to the liabilities assumed as part of the CUL acquisition.

Outstanding Units

The weighted average basic units outstanding for the quarter were 47,708,000 compared to 47,603,000 last year. The increase is due to a reduction in the number of units held under the Company's Unit Purchase Loan Plan. The weighted average fully diluted units outstanding for the quarter were 48,422,000 compared to 48,403,000 last year. The increase in the fully diluted units outstanding is due to units granted under the Trustee Deferred Unit Plan.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities for the quarter decreased to \$2.2 million from \$21.3 million last year. The decrease in cash flows from operating activities is mainly due to the change in non-cash working capital largely resulting from a decrease in accounts payable and accrued liabilities and an increase in inventories in the quarter compared to last year. The decrease in accounts payable is largely due to the timing of cheque runs and the transition of the CUL accounts payable function. The increase in inventories is due in part to higher inventory balances in Canadian stores serviced by winter road. Cash flow from operations¹ increased \$4.5 million to \$22.6 million due primarily to higher net earnings.

¹ See Non GAAP Measures Section of Management's Discussion & Analysis

Cash used for investing activities in the quarter increased to \$9.7 million from \$5.6 million last year due largely to the acquisition of Span Alaska Enterprises, Inc. on March 3, 2008. In the quarter, a store property and related site development was sold for \$3.2 million and a lease arrangement was entered into for the store portion of the property.

Cash provided from financing activities in the quarter was \$7.3 million compared to cash used in financing activities of \$4.4 million last year. The Fund paid distributions of \$21.3 million, an increase of 37.5% compared to \$15.4 million last year. The distributions paid in the quarter includes a quarterly distribution of \$15.5 million or \$0.32 per unit (\$10.6 million or \$0.22 per unit last year) and a special distribution of \$5.8 million or \$0.12 per unit paid on February 22, 2008 to unitholders of record on December 31, 2007 (\$4.8 million or \$0.10 per unit in the first quarter of 2007). In the fourth quarter of 2007, the Company arranged for new bank loan facilities which have resulted in a decrease in bank advances and short-term notes and an increase in long-term debt. The Canadian operation has 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. At April 30, 2008 the Company had drawn \$65.3 million on these facilities.

The Company's International operation has available three year extendible, committed, non-revolving loan facilities of US\$52 million. These facilities are secured by a floating charge against the assets of the Company and rank pari passu with the senior note holders. At April 30, 2008, the Company had drawn US\$52 million on these facilities. The International operation also has available demand revolving loan facilities of US\$21 million. These loans are secured by a floating charge against accounts receivable and inventories of the International operations. At April 30, 2008, the Company had US\$9.3 million in bank advances and short-term notes drawn on these facilities.

The credit facilities contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At April 30, 2008, the Fund is in compliance with all covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants.

Net capital expenditures for 2008 are expected to be in the range of \$49 million to \$53 million (2007 - \$44.4 million) reflecting the planned opening of six new stores, major renovation activity in seven stores, new gas bars, pharmacy openings, system upgrades, expansion of our wholesale business and a head office renovation project. Cash flow from operations and funds available on existing credit facilities are expected to be sufficient to fund operating requirements, sustaining and growth-related capital expenditures, as well as all distributions for the year.

OTHER HIGHLIGHTS

- On June 6, 2008, the Fund, through its ownership interest in Transport Nanuk (TN) and TN's interest in Nunavut Eastern Arctic Shipping, a partnership with three Inuit birthright development corporations, announced the acquisition of the MV Qamutik, an ice class 1, multi-purpose cargo vessel. The MV Quamutik will be the fourth vessel in the TN/NEAS fleet and will provide needed capacity to service the north's growing shipping demands, particularly in the areas of public housing and mining.

UNITHOLDER DISTRIBUTIONS

The Trustees declared a regular quarterly distribution of \$0.32 per unit to unitholders of record on June 30, 2008, distributable by July 15, 2008.

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

In determining the quarterly distributions, the Trustees consider, among other factors, the seasonal variations in earnings inherent in the retail industry in order to maintain stable distributions throughout the year. On an annual basis, distributions are funded by cash flow from operations. Due to the seasonal nature of the retail business whereby income and cash flow is historically lower in the first quarter and higher in the fourth quarter distributions in a quarter may exceed cash flow from operations. The taxable income of the Fund is primarily based on an allocation of the taxable income of the North West Company LP less Fund expenses.

OUTLOOK

Second quarter food sales have continued first quarter trends and general merchandise sales have slowed slightly. Higher fuel costs are expected to constrain discretionary consumer spending for the rest of the year, with some offset from government income transfers in Alaska and resource development in the north. At-home and local food spending is expected to be strong in most of our markets due to the high cost of travel favouring our northern store banners and the price advantage offered by our discount store banners. Food inflation is expected to remain in the 4% range across our Northern, AC and CUL stores and at lower rates in our North Mart and Giant Tiger stores which will continue to face food pricing discounting pressures.

Integration of our CUL acquisition is continuing with annualized savings of at least \$3 million anticipated by the second half of 2008. The restructuring of support activities aimed at providing more specialized merchandising and administrative services to CUL will be completed by the end of the fiscal year.

QUARTERLY RESULTS OF OPERATIONS

In 2008, the quarters will have the same number of days of operations as 2007 with the exception of the first quarter of 2008 which had an extra day resulting from the February 29 leap year. In the 2006 fourth quarter the Company changed its year end from the last Saturday in January to January 31 and adopted a fixed calendar quarter end beginning in 2007. As a result of this change, the number of days of operations in each quarter in 2007 was different from 2006. The chart below reflects the number of days in each quarter. On an annual basis, 2007 had 365 days of operations compared to 368 days of operations in 2006. The following is a summary of selected quarterly financial information.

Operating Results-Consolidated

(\$ in millions)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	90 days	89 days	92 days	95 days	92 days	91 days	92 days	91 days
	2008	2007	2007	2006	2007	2006	2007	2006
Sales	\$315.5	\$234.4	\$318.0	\$262.5	\$255.7	\$236.1	\$256.4	\$232.6
Trading profit	25.9	21.6	31.5	26.1	27.5	25.6	26.0	24.4
Net earnings	15.2	10.8	18.9	16.3	18.5	14.8	14.8	12.8
Net earnings per unit:								
Basic	0.32	0.23	0.39	0.34	0.39	0.31	0.31	0.27
Diluted	0.32	0.23	0.39	0.34	0.39	0.31	0.30	0.27

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

DISCLOSURE CONTROLS

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on an evaluation of the design of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed effectively as of April 30, 2008 to provide reasonable assurance that the information to be disclosed is recorded, summarized and reported as required.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management has designed the internal controls over financial reporting as of the end of the period covered by the interim filings, and believes the design is sufficient to provide such reasonable assurance. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance with respect to financial reporting. There have been no changes in the internal controls over financial reporting during the quarter ended April 30, 2008 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2008

Inventories

As described in Note 2 of the 2008 first quarter consolidated interim financial statements, the Canadian Institute of Chartered Accountants (CICA) issued Section 3031, "Inventories" which is

effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3031 establishes new standards on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the cost to purchase and other costs incurred in bringing the inventories to their present location. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs in the period.

The Company has adopted this new standard as of February 1, 2008 with the changes applied retroactively without restatement of comparative numbers in accordance with the transitional provisions. Upon adoption of this accounting standard, the Company recorded a decrease in opening retained earnings of \$119,000.

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

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

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, developing implementation plans and investing in training and resources to facilitate a timely conversion.

NON-GAAP MEASURES

(1) **Trading Profit (EBITDA)** is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, trading profit is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating trading profit may differ from

other companies and, accordingly, trading profit may not be comparable to measures used by other companies.

A reconciliation of consolidated net earnings to trading profit or EBITDA is provided below:

(\$ in thousands)	First Quarter	
	<u>2008</u>	<u>2007</u>
Net earnings	\$ 15,235	\$ 10,807
Add: Amortization	7,789	6,649
Interest expense	2,148	1,649
Income taxes	<u>750</u>	<u>2,497</u>
Trading profit	<u>\$ 25,922</u>	<u>\$ 21,602</u>

For trading profit information by business segment, refer to Note 11 Segmented Information in the notes to the unaudited interim period consolidated financial statements.

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

A reconciliation of consolidated cash flow from operating activities to cash flow from operations is provided below:

(\$ in thousands)	First Quarter	
	<u>2008</u>	<u>2007</u>
Cash flow from operating activities	\$ 2,207	\$ 21,294
Non-cash items:		
Change in other non-cash items	(143)	(268)
Change in non-cash working capital	<u>20,528</u>	<u>(2,960)</u>
Cash flow from operations	<u>\$ 22,592</u>	<u>\$ 18,066</u>

Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the unaudited interim period Consolidated Financial Statements and Notes to the unaudited interim period Consolidated Financial Statements which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is in Canadian dollars. The information contained in this MD&A is current to June 11, 2008.

Forward-Looking Statements

This Quarterly Report, including Management's Discussion & Analysis (MD&A), contains forward-looking statements about the North West Company Fund (Fund), including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings or growth rates), ongoing business strategies or prospects, and possible future Fund action, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund, economic factors and the retail industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Fund due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Fund's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of the MD&A included in the Fund's 2007 Management's Discussion & Analysis and Consolidated Financial Statements report. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

CONSOLIDATED BALANCE SHEETS

(unaudited, \$ in thousands)	April 30 2008	April 30 2007	January 31 2008
ASSETS			
Current assets			
Cash	\$ 21,559	\$ 33,388	\$ 21,732
Accounts receivable	66,448	62,821	62,759
Inventories (Note 2)	166,530	131,498	162,481
Prepaid expenses	5,731	5,627	3,604
Future income taxes	3,462	2,137	3,485
Total Current Assets	263,730	235,471	254,061
Property and equipment	224,862	185,802	227,974
Other assets	18,646	19,048	19,033
Goodwill	31,348	-	26,882
Future income taxes	2,259	7,095	1,720
Total Assets	\$ 540,845	\$ 447,416	\$ 529,670
LIABILITIES			
Current liabilities			
Bank advances and short-term notes (Note 3)	\$ 9,419	\$ 33,896	\$ 4,336
Accounts payable and accrued liabilities	91,747	74,233	109,877
Income taxes payable	2,239	4,673	2,053
Current portion of long-term debt	18,674	20,284	18,633
Total Current Liabilities	122,079	133,086	134,899
Long-term debt (Note 4)	160,739	62,577	136,864
Asset retirement obligations	1,584	1,528	1,606
Total Liabilities	284,402	197,191	273,369
EQUITY			
Capital	165,133	165,205	165,133
Unit purchase loan plan (Note 6)	(12,023)	(12,709)	(12,342)
Contributed surplus	970	690	970
Retained earnings	100,161	93,334	100,526
Accumulated other comprehensive income (Note 8)	2,202	3,705	2,014
Total Equity	256,443	250,225	256,301
Total Liabilities and Equity	\$ 540,845	\$ 447,416	\$ 529,670

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(unaudited, \$ in thousands)	Three Months Ended April 30 2008	Three Months Ended April 30 2007
SALES	\$ 315,468	\$ 234,351
Cost of sales, selling and administrative expenses	(289,546)	(212,749)
Net earnings before amortization, interest and income taxes	25,922	21,602
Amortization	(7,789)	(6,649)
Interest	18,133 (2,148)	14,953 (1,649)
Provision for income taxes	15,985 (750)	13,304 (2,497)
NET EARNINGS FOR THE PERIOD	\$ 15,235	\$ 10,807
Retained earnings, beginning of period as previously reported	100,526	93,253
Accounting policy changes (Note 2)	(119)	(83)
Retained earnings, as restated	100,407	93,170
Distributions (Note 10)	(15,481)	(10,643)
RETAINED EARNINGS, END OF PERIOD	\$ 100,161	\$ 93,334
NET EARNINGS PER UNIT		
Basic	\$ 0.32	\$ 0.23
Diluted	\$ 0.32	\$ 0.23
Weighted Average Number of Units Outstanding (000's)		
Basic	47,708	47,603
Diluted	48,422	48,403

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, \$ in thousands)	Three Months Ended April 30 2008	Three Months Ended April 30 2007
NET EARNINGS	\$ 15,235	\$ 10,807
Unrealized gains (losses) on translation of financial statements from a self sustaining operation in U.S. dollar functional currency to Canadian dollar reporting currency	188	(977)
Other comprehensive income (loss) (Note 8)	188	(977)
COMPREHENSIVE INCOME	\$ 15,423	\$ 9,830

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, \$ in thousands)	Three Months Ended April 30 2008	Three Months Ended April 30 2007
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings for the period	\$ 15,235	\$ 10,807
Non-cash items		
Amortization	7,789	6,649
Future income taxes	(494)	(226)
Unit purchase loan plan compensation (Note 7)	-	307
Amortization of deferred financing costs	47	47
Loss on disposal of property and equipment	15	482
	22,592	18,066
Change in non-cash working capital	(20,528)	2,960
Change in other non-cash items	143	268
Operating activities	2,207	21,294
Investing Activities		
Business acquisition (Note 13)	(6,190)	-
Purchase of property and equipment	(6,695)	(5,704)
Proceeds from disposal of property and equipment	3,208	107
Investing activities	(9,677)	(5,597)
Financing Activities		
Change in bank advances and short-term notes	5,040	12,308
Net repayments (purchases) under unit purchase loan plan	319	(1,216)
Increase in long-term debt	23,325	-
Repayment of long-term debt	(101)	(20)
Distributions (Note 10)	(21,286)	(15,481)
Financing activities	7,297	(4,409)
NET CHANGE IN CASH	\$ (173)	\$ 11,288
Cash, beginning of period	21,732	22,100
CASH, END OF PERIOD	\$ 21,559	\$ 33,388
Supplemental disclosure of cash paid for:		
Interest expense	\$ 1,263	\$ 396
Income taxes	\$ 1,015	\$ 1,326

See accompanying notes to consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM PERIOD CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Presentations and Disclosures

The unaudited interim period consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These interim financial statements follow the same accounting policies and their methods of application as the 2007 annual financial statements, except as described in Note 2. Not all disclosures required by generally accepted accounting principles for annual financial statements are presented, and accordingly, the interim financial statements should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes included in the North West Company Fund's 2007 Management's Discussion & Analysis and Consolidated Financial Statements report. All amounts are expressed in Canadian dollars unless otherwise noted.

2. Accounting Policy Changes

Inventories

Effective February 1, 2008 the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA) section 3031 Inventories which is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Section 3031 provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the cost to purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred. Reversals of previous write-downs to net realizable value are now required when there is a subsequent increase in the value of the inventories. The cost of inventories should be determined using either a first-in, first-out or weighted average cost formula. Techniques for the measurement of cost of inventories, such as the retail method may be used if the results approximate actual cost. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, the amount of inventories recognized as an expense during the period, the amount of write-downs during the period and the amount of any reversal of write-downs that is recognized as a reduction of expenses.

The Company values inventories at the lower of cost and net realizable value. Costs include the cost to purchase net of vendor allowances and other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. The cost of warehouse inventories is determined by the weighted average cost. The cost of store inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method on a first-in, first-out basis for food inventories. The Company defines net realizable value as the anticipated selling price. Inventories are written down to net realizable value when the cost of inventories is estimated to be greater than the anticipated selling price. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Storage costs, administrative overheads and selling costs related to the inventories are expensed in the period the costs are incurred.

This change in accounting policy has been implemented retroactively without restatement of comparative financial statements in accordance with the transitional provisions. Upon adoption of this accounting standard, the Company recorded a decrease in opening inventories of \$221,000, an increase in opening future income tax assets of \$102,000, and a decrease to opening retained earnings of \$119,000.

Included in cost of sales, selling and administrative expenses on the consolidated statement of earnings for the three months ended April 30, 2008 is \$226,285,000 of inventories recognized as an expense, which includes \$314,000 for the write-down of inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written-down previously that are no longer estimated to sell below cost.

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

On 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 were 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 in accordance with the transitional provisions. Upon adoption of these accounting standards, the Company recorded a decrease in opening retained earnings of \$83,000.

3. Bank Advances and Short-Term Notes

In January 2008, the Company arranged for new revolving loan facilities and as a result amounts drawn by the Canadian operations on the new facilities are reported as long-term debt (Note 4). Prior to this new arrangement, the Canadian operations had available operating loan facilities of \$85,000,000 and had drawn \$33,896,000 on these facilities at April 30, 2007.

International operations have available demand, revolving loan facilities of US\$21,000,000 at interest rates of London Interbank Offered Rate (LIBOR) plus 1.75% or US prime minus 0.25% secured by a floating charge against certain accounts receivable and inventories of the International operations. At April 30, 2008, the International operations had drawn US\$9,330,000 (April 30, 2007 - \$0) on the facility.

NOTES TO THE UNAUDITED INTERIM PERIOD CONSOLIDATED FINANCIAL STATEMENTS

4. Long-term Debt

Year ended (\$ in thousands)	April 30 2008	April 30 2007
Senior notes ⁽¹⁾	\$ 57,573	\$ 81,809
Revolving loan facilities ⁽²⁾	65,334	-
Non-revolving loan facilities ⁽³⁾	52,494	-
Notes payable ⁽⁴⁾	1,648	-
Obligations under capital lease ⁽⁵⁾	2,364	1,052
	179,413	82,861
Less: Current portion of long-term debt	18,674	20,284
	\$ 160,739	\$ 62,577

(1) The US\$52,000,000 senior notes mature on June 15, 2009 and bear an interest rate of 5.89% payable semi-annually. A principal payment of US\$13,000,000 is due 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\$23,000,000 of its senior notes.

(2) Canadian operations have available three year extendible, committed, revolving loan facilities of \$140,000,000. 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 plus stamping fees ranging from 50 basis points to 90 basis points or the Canadian prime rate. At April 30, 2008 the Company has drawn \$65,334,000 on these facilities.

(3) International operations have available three year, extendible, committed, non-revolving loan facilities of US\$52,000,000. These facilities are secured by a floating charge against the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at LIBOR plus stamping fees ranging from 50 basis points to 90 basis points or the US prime rate. At April 30, 2008 the Company had drawn US\$52,000,000 on these facilities.

(4) The notes payable in the amount of US\$1,632,000 bear an interest rate of US prime plus 1% and have annual principal payments of US\$267,000. The notes payable mature in 2013 and 2015.

(5) The obligation under capital leases of US\$2,342,000 (April 30, 2007 - US\$951,000) is repayable in blended principal and interest payments of US\$634,000 annually.

5. Financial Instruments

The following table presents the carrying amount and the fair value of the Company's financial instruments. Amortized cost is calculated using the effective interest rate method. Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

As at April 30, 2008 (\$ in thousands)	Maturity	Assets (Liabilities) Carried at Cost/Amortized Cost		Assets (Liabilities) Carried at Fair Value
		Carrying Value	Fair Value	Carrying Value
Cash	Short-term	\$ 21,559	\$ 21,559	\$ -
Accounts receivable	Short-term	66,448	66,448	-
Financial assets included in other assets	Long-term	4,736	4,736	-
Bank advances and short-term notes (Note 3)	Short-term	(9,419)	(9,419)	-
Accounts payable and accrued liabilities	Short-term	(91,747)	(91,747)	-
Financial derivative instruments ⁽¹⁾	Short-term	-	-	(5,200)
Current portion of long-term debt ⁽¹⁾	Short-term	(13,474)	(13,474)	-
Long-term debt (Note 4)	Long-term	(160,739)	(161,937)	-

(1) These items total \$18,674 which comprises the current portion of long-term debt (Note 4).

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments:

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

NOTES TO THE UNAUDITED INTERIM PERIOD CONSOLIDATED FINANCIAL STATEMENTS

The Company recorded an interest revenue of \$27,000 and a foreign exchange gain of \$7,000 which is included in cost of sales, selling, and administrative expenses on the Company's consolidated statements of earnings for the three months ended April 30, 2008.

Financial Derivative Instruments As at April 30, 2008 (\$ in thousands)	Notional Value	Interest Rate	Fair Value
Interest rate swaps in effective fair value hedging relationship	US\$14,000 (2007 - US\$14,000)	LIBOR plus 1.87%	\$ 103
Cross-currency interest rate swaps in effective fair value hedging relationship	US\$7,000 (2007 - US\$20,000)	B.A. plus 2.99%	3,992
Cross-currency interest rate swaps no longer in effective hedging relationship	US\$2,000 (2007 - US\$2,000)	B.A. plus 3.16%	1,105

6. Unit Purchase Loan Plan

Loans issued to officers and senior management to purchase units under the unit purchase loan plan are treated as a reduction of equity. These loans are non-interest bearing and repayable from after tax distributions on the units purchased or if the person sells the units or leaves the Company. The loans are secured by a pledge of 667,297 units (April 30, 2007 - 756,867) of the Fund with a quoted value at April 30, 2008 of \$12,365,000 (April 30, 2007 - \$15,554,000). Loans receivable at April 30, 2008 of \$12,023,000 (April 30, 2007 - \$12,709,000) are recorded as a reduction of equity. The loans have terms of three or five years. The maximum value of the loans receivable under the plan is currently limited to \$15,000,000.

7. Security Based Compensation

Deferred Unit Plan

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 three months ended April 30, 2008 is \$104,000 (three months ended April 30, 2007 - \$201,000). 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 period. The total number of deferred units outstanding at April 30, 2008 is 48,056 (April 30, 2007 - 29,213). There were no deferred units settled in cash during the period.

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 6). These loans are in substance similar to stock options and accordingly are accounted for as security based compensation in accordance with section 3870 of the Canadian Institute of Chartered Accountants handbook.

There were no compensation costs related to the unit purchase loan plan for the three months ended April 30, 2008 (three months ended April 30, 2007 - \$307,000) 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. 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 cannot 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:

	<u>2007</u>
Expected life	3 or 5 years
Risk-free interest rate	4.2%
Expected volatility	25.7%

NOTES TO THE UNAUDITED INTERIM PERIOD CONSOLIDATED FINANCIAL STATEMENTS

8. Accumulated other comprehensive income (\$ in thousands)

	April 30 2008	April 30 2007	January 31 2008
Balance, beginning of year	\$ 2,014	\$ 4,682	\$ 4,682
Other comprehensive income (loss)	188	(977)	(2,668)
Accumulated other comprehensive income, end of year	<u>2,202</u>	<u>3,705</u>	<u>2,014</u>
Retained earnings, end of year	100,161	93,334	100,526
Total accumulated other comprehensive income and retained earnings	<u>\$ 102,363</u>	<u>\$ 97,039</u>	<u>\$ 102,540</u>

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 million has been designated as a hedge against the foreign operations.

9. Employee Future Benefits

The Company's expense for employee future benefits is included in cost of sales, selling and administrative expenses. The expense for the defined benefit pension plan and the defined contribution pension plan for the three months ended April 30, 2008 is \$750,000 (three months ended April 30, 2007 - \$1,000,000). The Company maintains an employee savings plan for substantially all of its U.S. employees and recorded an expense for the three months ended April 30, 2008 of US\$111,000 (three months ended April 30, 2007 - US\$48,000).

10. 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. The distributions paid in cash for the three months ended April 30, 2008 is \$21,286,000 including a special distribution of \$5,805,000 paid on February 22, 2008 to unitholders of record on December 31, 2007 (three months ended April 30, 2007 - \$15,481,000 including a special distribution of \$4,838,000 paid on February 23, 2007 to unitholders of record on December 31, 2006).

11. Segmented Information (\$ in thousands)

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

	Three Months Ended April 30 2008	Three Months Ended April 30 2007
Sales		
Canada	\$ 210,521	\$ 192,264
International	104,947	42,087
Total	<u>\$ 315,468</u>	<u>\$ 234,351</u>
Net earnings before amortization, interest and income taxes		
Canada	\$ 20,376	\$ 18,522
International	5,546	3,080
Total	<u>\$ 25,922</u>	<u>\$ 21,602</u>
Net earnings before interest and income taxes		
Canada	\$ 14,330	\$ 12,928
International	3,803	2,025
Total	<u>\$ 18,133</u>	<u>\$ 14,953</u>
Total Assets		
Canada	\$ 380,050	\$ 373,589
International	160,795	73,827
Total	<u>\$ 540,845</u>	<u>\$ 447,416</u>

International includes the operations of Alaska Commercial Company and Cost-U-Less, Inc. which was acquired on December 13, 2007 (Note 13). Included in Canada total assets is property and equipment of \$162,507 (April 30, 2007 - \$150,162). International total assets includes property and equipment of \$62,355 (April 30, 2007 - \$35,640) and goodwill of \$31,348 (April 30, 2007 - \$0).

NOTES TO THE UNAUDITED INTERIM PERIOD CONSOLIDATED FINANCIAL STATEMENTS

12. Seasonality

The Company's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer holiday buying patterns. As a result, a disproportionate amount of total revenues and earnings are typically earned in the fourth quarter. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

13. Business Acquisitions

On March 3, 2008, the Company acquired all of the issued and outstanding shares of privately owned Span Alaska Enterprises, Inc., a food and general merchandise distributor serving retail and wholesale customers in rural Alaska, for \$6,190,000 in cash consideration plus up to US\$1,200,000 in contingent cash consideration.

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 and the Caribbean for \$54,258,000 in cash consideration.

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 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.

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

(\$ in thousands)	Span Alaska	
	Enterprises, Inc. March 3, 2008	Cost-U-Less, Inc. December 13, 2007
Assets		
Cash	\$ -	\$ 3,043
Accounts receivable	2,284	1,030
Inventories	807	29,842
Prepaid expenses	17	729
Future income taxes	-	998
Property and equipment	104	27,963
Other assets	32	843
Goodwill	4,176	27,405
Total Assets	\$ 7,420	\$ 91,853
Liabilities		
Bank advances and short-term notes	\$ -	\$ 3,122
Accounts payable and accrued expenses	1,230	30,203
Current portion of long-term debt	-	611
Future income taxes	-	828
Long-term debt	-	2,831
Total Liabilities	\$ 1,230	\$ 37,595
Cash Consideration	\$ 6,190	\$ 54,258

Goodwill associated with the Cost-U-Less, Inc. acquisition is not deductible for tax purposes.

15. Future Accounting Standards

The CICA has issued the following new accounting standards:

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 standard 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, developing implementation plans and investing in training and resources to facilitate a timely conversion.

16. Comparative Amounts

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