A Time to Invest

THE NORTH WEST COMPANY INC. 2014

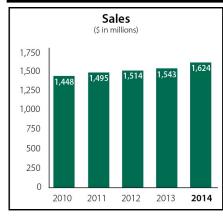
Annual Report

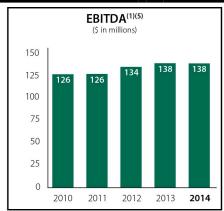


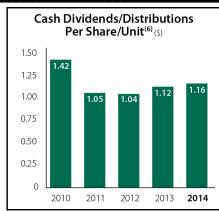
Financial Highlights

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

(C in the custom de susant para have information)		Year Ended	I a sa co	Year Ended	la.a.	Year Ended
(\$ in thousands, except per share information) RESULTS FOR THE YEAR	Janu	ary 31, 2015	Janu	ary 31, 2014	Janu	uary 31, 2013 ⁽¹⁾
Sales	\$	1,624,400	\$	1,543,125	\$	1,513,646
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Same store sales % increase (2)		2.4%		1.8%		0.5%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (3)	\$	137,838	\$	138,336	\$	133,717
Earnings from operations (3) (EBIT)		97,466		100,060		96,568
Net earnings		62,883		64,263		63,888
Cash flow from operating activities (4)		116,038		80,036		128,992
FINANCIAL POSITION						_
Total assets	\$	724,299	\$	670,512	\$	651,394
Total debt		201,396		182,862		163,354
Total equity		329,283		322,440		296,250
FINANCIAL RATIOS						
Debt-to-equity		.61:1		.57:1		.55:1
Return on net assets (3) (RONA)		18.4%		20.0%		20.6%
Return on average equity (3) (ROE)		19.3%		21.0%		22.1%
Sales blend: Food		78.2%		77.4%		76.8%
General Merchandise		18.3%		18.9%		19.5%
Other		3.5%		3.7%		3.7%
PER SHARE (\$) - DILUTED						
EBITDA (3)	\$	2.83	\$	2.84	\$	2.75
Net earnings		1.29		1.32		1.32
Cash flow from operating activities (4)		2.38		1.64		2.66
Market price: January 31		26.56		25.42		23.14
high		26.74		29.00		23.88
low		21.93		22.34		19.34







- (1) Certain 2012 figures have been restated as required by the implementation of IAS 19r *Employee Benefits*. 2011 and previous years have not been restated for these accounting standard changes. See the 2013 annual audited consolidated financial statements or annual report for further information.
- (2) Same store sales, excluding the foreign exchange impact.
- (3) See Non-GAAP Financial Measures section.
- (4) The decrease in cash flow from operating activities in 2013 is largely due to the payment of Canadian income taxes. Further information is provided under Cash from Operating Activities on page 15.
- (5) 2011 to 2014 are reported in accordance with International Financial Reporting Standards (IFRS). 2010 has been restated to IFRS.
- (6) Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The comparative information for 2010 refers to the units of the Fund. The decrease in dividends in 2011 compared to distributions from the Fund in 2010 is due to the conversion to a share corporation. See Conversion To A Share Corporation and Consolidated Liquidity and Capital Resources sections for further information.

Annual Report

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Unless otherwise stated, this Management's Discussion & Analysis ("MD&A") for The North West Company Inc. ("NWC") or its predecessor North West Company Fund ("NWF" or "Fund") and its subsidiaries (collectively, "North West Company", the "Company", "North West", or "NWC") is based on, and should be read in conjunction with the 2014 annual audited consolidated financial statements and accompanying notes. The Company's annual audited consolidated financial statements and accompanying notes for the year ended January 31, 2015 are in Canadian dollars, except where otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS").

Due to the transition to IFRS, comparative figures for the year ended January 31, 2011 ("2010") that were previously reported in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") have been restated to conform with the accounting policies and financial statement presentation adopted under IFRS. The financial information for the fiscal years 2009 and prior was prepared in accordance with CGAAP and has not been restated. Further information on the transition to IFRS and the impact on the Company's consolidated financial statements is provided in the 2011 Annual Financial Report available on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

The Company adopted the revised IAS 19 Employee Benefits (IAS 19r) effective February 1, 2013. The implementation of this standard required the restatement of certain 2012 comparative numbers. 2011 and previous years have not been restated for these accounting standard changes as they were effective for the Company February 1, 2013 with retrospective adjustments as at February 1, 2012. Further information on the impact of this accounting standard is provided in the Accounting Standards Implemented in 2013 section of the 2013 Annual Report or in Note 3 to the Company's 2013 annual audited consolidated financial statements.

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on April 9, 2015 and the information contained in this MD&A is current to April 9, 2015, unless otherwise stated.

Forward-Looking Statements

This MD&A contains forward-looking statements about North West 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, growth rates, capital expenditures, dividends, debt levels, financial capacity, access to capital, and liquidity), ongoing business strategies or prospects, and possible future action by the Company. Forwardlooking 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 Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company 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 Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of this MD&A, in the Risk Factors sections of the Annual Information Form and in our most recent consolidated financial statements, management information circular, material change reports and news releases. 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 does not intend to update any forwardlooking statements whether as a result of new information, future events or otherwise.

Additional information on the Company, including our Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

2014 President & CEO Message

2014 was highlighted by exceptional performance from our international store banners and solid preparation for accelerated investment within our northern Canada business.

International EBITDA was up 26.9% with contributions from both Alaska Commercial Company ("AC") and Cost-U-Less ("CUL"). In Alaska we benefited from a rebound in the U.S. economy and we made the most of our selling opportunities. Careful attention to planning and then getting sales during the Permanent Fund Dividend season was a prime example of this. As sales gained momentum at AC, expense management was maintained and helped to deliver even stronger bottom line improvement.

The key task at CUL last year was to fine tune the fundamentals of our strategy within the Caribbean. In 2013, we stretched ourselves with the opening of Barbados and it revealed weaknesses in our regional sourcing ability and store operations. The work to address this started 18 months ago and set the stage for last year's results. Like Alaska, we had the advantage of an economy that has bottomed out and is moving into a recovery phase. The entire team. from our international division to our Canadian support services, deserves credit for intense conviction on doing the right work, together with the pride to do it well.

The focus at CUL and AC was best demonstrated in two "Top 40" market investments: Bethel, Alaska and Barbados. In these locations we applied our Top 40 mantra of "treating each market as if it was the only one we did business in". From customer insight up to our executive team perspectives and back down again, this approach paid dividends in the quality of our decisions and the accountability for results.

Approximately 75% of our Top 40 markets are located in northern Canada. From the mid-point of 2014, our work shifted to bringing the learnings from Bethel and Barbados to this very important business region. Market assessments have been finalized and we expect to complete investments in 12 stores in northern Canada under the Top 40 Markets initiative in 2015. In each location we've uncovered opportunities to sustain and grow our business by being an even more relevant every day needs provider with more resiliencies from macroeconomic and competitive factors.

Closely aligned with our Top 40 work is the development of our Top Categories. The principle is similar. Within our broad range of product and service offerings, there are high potential categories that deserve more attention and investment. There are also categories that need to be downsized to free up store space and management time. During 2014 most of our effort was spent on getting ready for Top Category growth. We identified 30% of our general merchandise business as being too discretionary, too trend dependent or too vulnerable to being shopped for outside of our market. This was good news because we have an even longer list of "replacement" Top Categories ready to step up in 2015.

The transition we are making in our Top 40 markets and Top Category businesses is a big one. We know the risks and the shortterm cost that we incurred last year, primarily in our Canadian operations. Difficult decisions were made on the home office skills and roles needed to support our new work. Expensive inventory write-downs were taken to walk away from low profit businesses. These were the right decisions and we are taking the right amount of care to ensure that the change to the business is well-managed.

A key to our Top 40 and Top Category success will be the degree to which we are a community, customer and store-driven organization. Last year we conducted a cross-company survey to check perceptions on these aspects. The results were positively off the scale on community-mindedness and pretty good on customer focus. Serving our stores needed the most improvement and is the first priority in 2015, using a powerful store help and tracking system we call "Store Connect".

Over the past two planning cycles we've shifted from top line growth to middle line cost and margin management. We put in place sound processes and we developed better insight into what expense and investment factors drive performance the most.

Now, North West is adapting again, with an emphasis on customer relevance and market share. I've said in the past that we have a never-ending series of sales opportunities. This time around we have more experience on what to pursue profitably. We also have the recent success of our market focus in Barbados and Bethel. Most attractive to us is that we see remote and rural retailing changing in a way that favours relationships and, products and services that we can uniquely deliver through our store, logistics and information networks.

At the heart of this work will continue to be the people of North West and the sense of contribution that we can help our customers and communities live better.

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Edward S. Kennedy President & CEO April 9, 2015



2014 Chairman's Message

As Chairman of the Board, I am pleased to report to you on the Board's perspective of the current state of the Company's affairs.

2014 was a year marked by board renewal and regeneration. Over the past several years, we have witnessed significant changes in our Board as a number of long standing Directors have retired and a number of talented new Directors have been added.

This year we were sorry to lose Annette Verschuren, who retired from the Board in November 2014. Annette brought deep retail experience to the Board and made a significant contribution to our Company during her years of service.

At the same time, we were delighted to welcome Annalisa King and Stewart Glendinning to our Board. Both bring deep business and consumer products knowledge and experience to our deliberations and we are already seeing the benefit of their contributions.

I believe that we have a diverse Board with wide-ranging expertise, solid knowledge of our industry and the markets in which we operate, and a sincere commitment to ensuring that the governance practices at The North West Company are of the highest quality.

At last year's annual general meeting ("AGM"), we received a number of proposals from a single shareholder which were defeated at the meeting. As a Board, we found this experience to be constructive, because it reinforced the fundamental obligation to represent, and listen to the concerns of all shareholders. The North West Company is fortunate to have many long-standing shareholders whom we heard from during the lead up to last year's AGM. We appreciate their support for our work and results but we also recognize that we cannot take that continuing support for granted.

Amongst the shareholder proposals raised at the AGM was a concern about the contribution from our Cost-U-Less operations. We have always believed that our international businesses, including Cost-U-Less, meet the test of leveraging our unique remote market skills and scale. While this year was challenging for our northern Canadian markets we achieved strong performance within our international segment, led by an improvement at Cost-U-Less. These results helped to soften the impact of more challenging conditions in Canada and reinforced our conviction that our current geographic reach and portfolio of store banners is of continuing benefit to North West.

We also understand that the engine of our Company's continued growth is our northern Canadian market. To this end, we have embarked upon an ambitious store investment program that is heavily weighted to northern Canada and that takes advantage of our physical footprint to better serve the changing requirements of our customers. Stores will be reconfigured to emphasize more of today's local everyday shopping needs and we are refocusing our efforts on manager and employee training - all through our Top 40 Markets and Top Categories initiatives

The North West Company plays an important role in all of the communities where we do business, but particularly in the north. We and our predecessor companies have been doing business in this area for, in some cases, nearly 350 years.

At times, because of our unique position, we end up in the crossfire on issues that are far more complex than simply providing great products and services at reasonable prices. The continuing debate over the Nutrition North program in northern Canada is a good example of this. North West has worked with full effort and good faith to make this program as effective as it can be in providing more nutritious foods to northern shoppers at better prices. However, the issues driving up costs in the north are much more complicated than can be addressed in any food subsidy program and yet that program, which we think is very effective given its financial limitations, has become the proxy for quite legitimate community concern over the cost of living in the north.

Management continues to work to find better ways to provide a fuller range of products and services to all of the markets we serve, at the best possible local price. It is a related priority to ensure that we continue to find constructive and effective methods to enhance our relationships within all communities in order to help them achieve their ambitions for social and economic development.

As a Board, we remain very optimistic about North West's future and we are most appreciative of the continuing efforts of our management and employees, across all banners, to deliver the best to our customers and superior returns to our shareholders.

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H. Sanford Riley Chairman, Board of Directors April 9, 2015



Management's Discussion & Analysis

OUR BUSINESS TODAY

The North West Company is a leading retailer to underserved rural communities and urban neighbourhoods in the following regions: northern Canada, western Canada, rural Alaska, the South Pacific and the Caribbean. Our stores offer a broad range of products and services with an emphasis on food. Our value offer is to be the best local shopping choice for everyday household and local lifestyle needs.

North West's core strengths include: our ability to adapt to varied local values and priorities to forge community partnerships; our onthe-ground presence with hard-to-replicate skills, insights and facilities; our logistics expertise in moving product to, and operating stores within, remote or difficult-to-reach markets; and our ability to apply these strengths within complementary niche businesses.

North West has a rich enterprising legacy as one of the longest continuing retail enterprises in the world. The Company traces its roots back to 1668 and many of our stores in northern Canada and Alaska have been in operation for over 200 years. Today these northern stores serve communities with populations ranging from 300 to 9,000. A typical store is 7,500 square feet in size and offers food, family apparel, housewares, appliances, outdoor products and services such as fuel, post offices, pharmacies, income tax return preparation, quick-service prepared food, commercial business sales, prepaid card products, ATMs, cheque cashing and propriety credit programs.

Growth at North West has come from market share expansion within existing locations and from applying our expertise and infrastructure to new markets and complementary businesses. The latter includes wholesaling to independent stores, opening Giant Tiger junior discount stores in rural communities and urban neighbourhoods in western Canada, and acquiring Cost-U-Less, Inc., a chain of mid-sized warehouse format stores serving the South Pacific islands and the Caribbean.

A key strength and ongoing strategy of North West is to adapt to unique local lifestyles and cultures, and capture selling opportunities better than our competition. Flexible store development models, store management selection and education, store-level merchandise ordering, community relations and enterprising incentive plans are all ingredients of the model we have built to sustain this leading market position. We believe that continued, efficient enhancement of our execution skills in general, and our logistics and selling skills specifically, are essential components in to meeting customer needs within each market we serve.

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

Canadian Operations

- 121 Northern stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- **6 NorthMart** stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, fashion and health products and services;
- 12 Quickstop convenience stores, offering extended hours, ready-to-eat foods, fuel and related services in northern Canadian markets;
- 32 Giant Tiger ("GT") junior discount stores, offering family fashion, household products and food to urban neighbourhoods and larger rural centers in western Canada;
- 2 Valu Lots discount centers and direct-to-customer food distribution outlet for remote communities in Canada;
- 1 Solo Market store, targeted at less remote, rural markets;
- **1 Price Chopper** store, a discount food store offering a selection of fresh food and grocery;
- 1 Tim Hortons franchise restaurant located in a northern market;
- **Crescent Multi Foods ("CMF")** a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- 2 North West Company Fur Marketing outlets, trading in furs and offering Aboriginal handicrafts and authentic Canadian heritage products; and
- The Inuit Art Marketing Service, Canada's largest distributor of Inuit art.

International Operations

- 27 AC Value Centers stores similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- 6 Quickstop convenience stores within rural Alaska;
- Pacific Alaska Wholesale ("PAW") a leading distributor to independent grocery stores, commercial accounts and individual households in rural Alaska;
- 13 Cost-U-Less ("CUL") mid-sized warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean; and
- 1 Island Fresh Supermarket neighborhood food store in Guam offering convenience with an emphasis on fresh and prepared

VISION

At North West our mission is to be a trusted provider of goods and services within hard-to-reach, underserved and less developed markets. Our vision is to help people live better in these communities by doing our job well, with their interests as our first priority. This starts with our customers' ability and desire to shop locally with us for the widest possible range of products and services that meet their everyday needs. We respond by being more innovative, reliable, convenient, locally adaptable, welcoming and by having the lowest local price, enabled by lean, innovative processes. For our associates, we want to be a preferred, fulfilling place to work. For our investors, we want to deliver superior, top-quartile total returns over the long term.

PRINCIPLES

The way we work at North West is shaped by six core principles: Customer Driven, Enterprising, Passion, Accountability, Trust, and Personal Balance.

Customer Driven refers to looking through the eyes of our customers while recognizing our local presence as a supportive community citizen

Enterprising is our spirit of innovation, improvement and growth, reflected in our unrelenting focus on new and better products, services and processes.

Passion refers to our connection to our work, our privileged local market presence and the opportunity to find solutions that make a difference in our customers' lives.

Accountability is our management approach to getting work done through effective roles, tasks and resources.

Trust at North West means doing what you say you will do, with fairness, integrity and respect.

Personal Balance is our commitment to sustaining ourselves and our organization, so that we work effectively for our customers and communities over the long term.

STRATEGIES

The strategies at North West are aligned with a total return approach to investment performance. We aim to deliver top quartile returns through an equal emphasis on growth and income yield with opportunities considered in terms of their growth potential and ability to sustain an attractive cash return.

The Company's Long-Range Plans ("LRP") are developed in multiyear cycles and are reviewed and adjusted as required at the senior management and board levels. Over the previous LRP cycle, the Company's focus related to being better at the basic elements of our value offer, including our in-stock performance and the profitability of our perishable and other high-convenience categories. The logistics side of our business was also an investment priority.

The strategic planning work leading into 2014 identified that further gains in operating standards and efficiency were still attractive paths for North West. Even more important was our physical store network, local selling capability and community relations. Finally, we identified the logistics and data links to our stores as secondary, but still important competencies that could be further leveraged.

In 2014, the Company defined its current strategic priorities aimed at solidifying and growing market share within top markets and product and service categories. Our key priorities reflect these findings and are summarized below together with the results for 2014:

Initiative #1 Top 40 Markets

Invest in our largest, highest potential markets to drive above average sales and profit growth through larger, updated store facilities with more room for growth categories, supported by highly capable store teams and strong community relations.

Result

The Top 40 Markets were identified in 2014 and a three to four year investment plan was created. Market strategies with specific capital, product and people plans have been finalized for 12 communities in northern Canada. Due to the remoteness of store locations, the construction completion dates for most of these projects will be in the second half of 2015 or early 2016. Performance measures will include time, quality and cost to complete compared to the approved plan as well as actual store results against budget.

Initiative #2

Top Categories

Capture market share by focusing on existing and new product and service categories which offer the highest everyday convenience and service value to our customers and which can be delivered in a superior way by North West.

Result

Work in 2014 focused on identifying general merchandise product categories in our northern Canada markets that needed to be downsized to free up space and capital for Top Categories. In total, approximately 30% of existing general merchandise inventory was identified for reduction. The Company incurred \$3.8 million in costs over and above normal markdown activity related to the write-down and clearance of this inventory. This reduction in general merchandise inventory and the reallocation of selling space will continue through 2015.

On the Top Category growth side, plans were started and completed in Food Service and Pharmacy in 2014. Other Top Category plans, including Produce, Meat, Baby and Children, Large-Pack Size, Grocery, Automotive, Outdoor Living, Core Basics, Furniture and Motorized, will be completed in the first half of 2015. These plans will be incorporated into all Top 40 Market plans and where cost effective, rolled out to all other applicable stores.

Initiative #3

Complete the Implementation of a Transportation Management System

Complete the investment in Transportation Management Systems ("TMS") that will deliver a competitive advantage on the cost, quality and reliability of moving products to the remote markets we serve.

Result

The TMS project did not deliver the expected benefits in 2014 because key processes and functions were too difficult to work with or adapt to, especially by our transportation partners. Modifications are being made to simplify TMS processes and functionality to enable product visibility and tracking throughout the logistics network. This in turn will fully enable payment, load planning and shrink reduction benefits to be realized.

Initiative #4

Building on our Relationship with Giant Tiger Stores Limited

Renewing our Giant Tiger store base through a stronger partnership with our Master Franchisor, Giant Tiger Stores Limited ("GTSL") so store growth accelerates in western Canada and both companies achieve more cost and scale synergies from working together.

Result

North West and GTSL have established a stronger, mutually beneficial working relationship. This renewed relationship facilitated the conversion of a NorthMart store in La Ronge, Saskatchewan to a Giant Tiger format. This store featured the first Pharmacy and Financial Services offering in a Giant Tiger store, leveraging North West's experience in these areas. North West has plans to open three Giant Tiger stores in 2015 and will be working with GTSL on testing other new extensions of the Giant Tiger brand.

Initiative #5

Close Performance Gaps in Cost-U-Less Stores

Improving returns from our Cost-U-Less ("CUL") stores by continuing to build a highly capable regional buying and store operations structure in the South Pacific and Caribbean.

Result

CUL's 2014 performance exceeded plan led by the Caribbean region stores. New regional buying programs were successful in reducing the cost of goods and aligning with customer preferences. Management changes were made at the store and regional levels to optimize market knowledge and increase execution capability. These changes provide a solid platform to build from in 2015 as this initiative continues under the Top 40 Markets and Top Categories work.

Initiative #6

Customer Driven and Store Centric

Ensuring that how we work at North West, what we refer to as our "Management System," is customer driven and store centered.

Result

A new store service process called "Store Connect" was successfully launched in the fourth quarter of 2014. This process is enabled by a technology platform which tracks all customer and store issues, requests and ideas to their final resolution. Employee surveys were also conducted in 2014 to provide a baseline for measuring customer and store service levels.

KEY PERFORMANCE DRIVERS AND CAPABILITIES REQUIRED TO DELIVER RESULTS

The ability to protect and enhance the performance of our "Top 40" Markets: Our Top 40 Markets offer the highest potential for market share growth, improved productivity and customer satisfaction. We believe that the effective execution of our Top 40 strategy will deliver higher returns, even within muted economic conditions, and will generate solid ideas that can be applied across all stores.

The financial capability to sustain the competitiveness of our existing store base and to pursue growth: Our sustaining investment priorities are to replace and renovate Top 40 Market stores and staff housing while applying higher payback learnings in areas such as energy-efficiency and technology to all stores. Non-capital expenditures are centered on improvements to our in-store capabilities through improved store structures, compensation, recruiting and training.

The ability to be a leading community store in every market we

serve: This depends on our ability to engage individual customers and the community at large in highly constructive ways. It starts with being able to locally tailor our store formats, product/service mix, community support and store associate employment offer, while still realizing the scale efficiencies of our size or the size of our alliance partners. Investing in relationships, a broad range of products, services and store sizes, flexible technology platforms and "best practice" work processes, are all required to achieve this goal.

Our ability to build and maintain supportive community relations: Our ongoing community presence depends on our ability to be a trusted, open, respectful and adaptable organization. Renewing store leases, especially when the landlord is a community development entity, depends on our track record of solid store operations, our positive community relations and the superior attractiveness of our retail store compared to other options. Our approach is to reflect community priorities first and invest in local causes, with community development and healthy living being two examples. We facilitate regular meetings with community and regional leadership to build constructive relationships and to ensure that information and ideas are shared on a proactive basis.

Our ability to attract, retain and develop highly capable store level employees and work practices: Enhancing store stability and capability as part of our Top 40 Markets and Top Categories strategies recognizes the important role played by our managers and other key store-level personnel. These positions are instrumental in realizing local selling opportunities, meeting our customer service commitments and building and maintaining positive community relationships. It also recognizes that remoteness, employment competition from other local sectors and other conditions in our markets create challenges in attracting and retaining people. Related to this is our on-going ability to hire locally and assist local associates to reach their full potential.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to **sell merchandise:** An ongoing goal within our stores is to shift more staff time and skill towards selling merchandise tailored to the unique markets we serve, while reducing costs in the non-selling facets of store work. Productivity opportunities include TMS, labour scheduling, energy usage and inventory shrinkage reduction. We have developed alliances with other non-competing retailers to provide development and distribution services for certain products and services where we do not have adequate scale.

CONVERSION TO A SHARE CORPORATION

On January 1, 2011, the North West Company Fund (the "Fund") completed its previously announced conversion to a corporation $named \, The \, North \, West \, Company \, Inc. \, (the \, "Company") \, by \, way \, of \, a \, plan$ of arrangement under section 192 of the Canada Business Corporations Act. The details of the conversion and the Arrangement are contained in the management information circular dated April 29, 2010 which is available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

The conversion was accounted for as a continuity of interests and as such the carrying amounts of the assets, liabilities and unitholders' equity in the consolidated financial statements of the Fund immediately before the conversion was the same as the carrying values of the Company immediately after the conversion. The comparative amounts in this MD&A and in the consolidated financial statements are those of the Fund restated to conform with IFRS. The MD&A and consolidated financial statements contain references to "shareholders", "shares" and "dividends" which were previously referred to as "unitholders", "units" and "distributions" under the Fund.

As a result of the conversion to a share corporation, the earnings from The North West Company LP that previously flowed to the Fund on a pre-tax basis are now subject to income taxes based on statutory federal and provincial income tax rates commencing January 1, 2011.

On November 21, 2011, income tax legislation was enacted to curtail income deferral by corporations with a partnership that has a different taxation year. The new legislation requires income from these partnerships to be reported on an accrual basis for tax purposes but also includes transitional provisions whereby income earned from the partnership during the initial adoption year can be deferred and recognized over a subsequent five-year period. As a result of these transition rules, a substantial portion of the income tax payable of the Canadian Operations for 2011 has been deferred and will be paid over the next five years. This deferred tax liability has been recorded as a reduction of deferred tax assets. Further information on deferred tax assets and deferred tax liabilities is provided in Note 9 to the consolidated financial statements.

FISCAL YEAR

The fiscal year ends on January 31. The 2014 year which ended January 31, 2015 and the 2013 year which ended on January 31, 2014 had 365 days of operations. The 2012 year which ended January 31, 2013 had 366 days of operations due to February 29th which resulted in the first quarter of 2012 having 90 days of operations, compared to 89 days of operations in the first quarters of 2014, 2013 and 2011. The estimated impact of the extra day has been deducted from 2012 same store sales.

Consolidated Results

2014 Highlights

- Sales increased to \$1.624 billion, our 15th consecutive year of sales
- Quarterly dividends to shareholders increased 3.6% to \$0.29 per
- Total returns to shareholders were 9.6% for the year and were 14.0% on a compound annual basis over the past five years.

FINANCIAL PERFORMANCE

Some of the key performance indicators used by management to assess results are summarized in the following table:

Key Performance Indicators and Selected Annual Information

(\$ in thousands, except per share)	2014		2013		2012 ⁽³⁾
Sales	\$ 1,624,400	\$	1,543,125	\$	1,513,646
Same store sales % increase ⁽¹⁾	2.4%	•	1.8%	ó	0.5%
EBITDA ⁽²⁾	\$ 137,838	\$	138,336	\$	133,717
EBIT ⁽²⁾	\$ 97,466	\$	100,060	\$	96,568
Net earnings	\$ 62,883	\$	64,263	\$	63,888
Net earnings per share - basic	\$ 1.30	\$	1.33	\$	1.32
Net earnings per share - diluted	\$ 1.29	\$	1.32	\$	1.32
Cash dividends per share	\$ 1.16	\$	1.12	\$	1.04
Total assets	\$ 724,299	\$	670,512	\$	651,394
Total long-term liabilities	\$ 244,787	\$	138,334	\$	164,960
Return on net assets(2)	18.4%	.	20.0%	ó	20.6%
Return on average equity ⁽²⁾	19.3%	5	21.0%	5	22.1%

- (1) All references to same store sales exclude the foreign exchange impact.
- (2) See Non-GAAP Financial Measures section.
- (3) Certain 2012 figures have been restated as required by the implementation of IAS 19r Employee Benefits. See the 2013 annual audited consolidated financial statements for

Consolidated Sales Sales for the year ended January 31, 2015 ("2014") increased 5.3% to \$1.624 billion compared to \$1.543 billion for the year ended January 31, 2014 ("2013"), and were up 7.3% compared to \$1.514 billion for the year ended January 31, 2013 ("2012"). The increase in sales in 2014 was driven by sales growth in our International Operations and the positive impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, sales increased 2.7% from 2013 and were up 3.3% from 2012. On a same store basis, sales increased 2.4% compared to increases of 1.8% in 2013 and 0.5% in 2012.

Food sales increased 6.3% from 2013, and were up 3.4% excluding the foreign exchange impact with both Canadian and International Operations contributing to the sales gains. Same store food sales increased 2.8% over last year with quarterly same store increases of 0.7%, 2.1%, 3.7% and 4.9% in the fourth guarter. Canadian food sales increased 2.8% and International food sales increased 4.5% excluding the foreign exchange impact due to same store sales growth.

General merchandise sales increased 2.0% compared to 2013 and were up 0.4% excluding the foreign exchange impact as sales growth in our International Operations more than offset lower sales in the Canadian Operations. Same store general merchandise sales increased 0.6% for the year with a decrease of 1.8% in the first quarter, increases of 1.0% and 3.6% in the second and third quarter, and a decrease of 0.4% in the fourth quarter. Canadian general merchandise sales decreased 0.6% due to lower sales in northern markets and

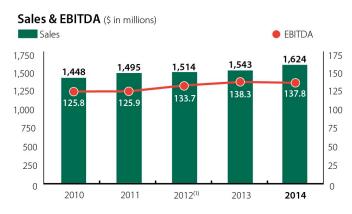
International general merchandise sales increased 4.0% excluding the foreign exchange impact due to same store sales growth.

Other revenue, which includes fuel, fur, tele-pharmacy revenue and service charge revenue, increased 0.5% compared to 2013 and was up 1.8% compared to 2012 due to higher tele-pharmacy and service charge revenues.

Sales Blend The table below shows the consolidated sales blend over the past three years:

	2014	2013	2012
Food	78.2%	77.4%	76.8%
General merchandise	18.3%	18.9%	19.5%
Other	3.5%	3.7%	3.7%

Canadian Operations accounted for 64.2% of total sales (66.3% in 2013 and 68.9% in 2012) while International Operations contributed 35.8% (33.7% in 2013 and 31.1% in 2012).



(1) Certain 2012 figures have been restated as required by the implementation of Employee Benefits IAS 19r. 2011 and previous years have not been restated for these accounting standard changes. See the 2013 annual audited consolidated financial statements for

Gross Profit Gross profit increased 2.0% to \$464.2 million compared to \$455.1 million last year as the impact of sales growth more than offset a 91 basis points decrease in the gross profit rate. The decrease in the gross profit rate to 28.6% compared to 29.5% last year was largely due to lower general merchandise gross profit rates in the Canadian Operations related to the write-down and clearance of discontinued under-performing general merchandise inventory in northern markets. This action was part of the Company's initiative to reallocate selling space to products and services with higher growth potential. Investments made in lower food prices to grow market share also contributed to the decrease in gross profit rates in the Canadian Operations.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 3.3% to \$366.8 million but were down 42 basis points as a percentage of sales compared to last year. This increase in Expenses is largely due to the impact of foreign exchange on the translation of International Operations expenses, head office employee restructuring costs and the impact of a non-comparable insurance-related gain last year. These factors were partially offset by the impact of lower share-based compensation costs and short-term incentive plan expense this year and the non-recurrence of due diligence costs related to strategic opportunities incurred last year. Further information on share-based compensation costs is provided in Note 13 to the consolidated financial statements.

Earnings from Operations (EBIT) Earnings from operations or earnings before interest and income taxes ("EBIT") decreased 2.6% to \$97.5 million compared to \$100.1 million last year as the increase in gross profit was more than offset by higher selling, operating and administrative expenses. Excluding the foreign exchange impact and the impact of the non-comparable general merchandise reduction costs and employee restructuring costs this year, and the insurance gain and due diligence costs last year, earnings from operations increased \$5.0 million or 5.1% compared to last year. Earnings before interest, income taxes, depreciation and amortization ("EBITDA") decreased 0.4% to \$137.8 million compared to last year. Excluding the foreign exchange impact and the non-comparable items, EBITDA increased 4.7% and was 9.1% as a percentage of sales compared to 8.9% last year.

Interest Expense Interest expense decreased 14.3% to \$6.7 million compared to \$7.8 million last year. The decrease in interest expense is largely due to lower interest rates on the senior notes that were refinanced during the year partially offset by higher average debt levels compared to last year. Average debt levels increased 5.5% compared to last year but the average cost of borrowing was 3.1% compared to 3.7% last year. Further information on interest expense is provided in Note 18 to the consolidated financial statements.

Income Tax Expense The provision for income taxes decreased 0.4% to \$27.9 million compared to \$28.0 million last year and the effective tax rate for the year was 30.7% compared to 30.4% last year reflecting an increase in earnings in the International Operations and lower earnings in the Canadian Operations. The increase in the effective tax rate is due to the variability of income earned across the various tax jurisdictions in the International Operations. A more detailed explanation of the income tax provision and deferred tax assets and liabilities is provided in Note 9 to the consolidated financial statements.

EBITDA & Net Earnings (\$ in millions)



(1) Certain 2012 figures have been restated as required by the implementation of Employee Benefits IAS 19r. 2011 and previous years have not been restated for these accounting standard changes. See the 2013 annual audited consolidated financial statements for further information.

Net Earnings Consolidated net earnings decreased 2.1% to \$62.9 million compared to \$64.3 million last year and diluted earnings per share was \$1.29 per share compared to \$1.32 per share last year as earnings growth in the International Operations was more than offset by lower earnings in the Canadian Operations. Additional information on the financial performance of Canadian Operations and International Operations is included on page 11 and page 13 respectively. In 2014, the average exchange rate used to translate International Operations sales and expenses increased to 1.1148 compared to 1.0389 last year and 0.9976 in 2012.

The Canadian dollar's depreciation versus the U.S. dollar compared to 2013 had the following net impact on the 2014 results:

Sales	increase of \$39.6 million or 2.6%
Earnings from operations	increase of \$1.8 million
Net earnings	
Diluted earnings per share	

The decrease in net earnings from 2010 compared to 2011 to 2014 performance as shown in the preceding graph is largely due to the conversion to a share corporation and the taxation of earnings in the Canadian Operations. Prior to the conversion to a share corporation on January 1, 2011, earnings from The North West Company LP flowed to North West Company Fund on a pre-tax basis and were fully distributed to unitholders. There was no income tax payable by the Fund on these distributions. See Conversion to a Share Corporation section for further information.

Total Assets Consolidated total assets for the past three years is summarized in the following table:

(\$ in thousands)	2014	2013	2012
Total assets	\$ 724,299	\$ 670,512	\$ 651,394

Consolidated assets increased 8.0% to \$724.3 million compared to \$670.5 million in 2013 and were up 11.2% compared to \$651.4 million in 2012. The increase in consolidated assets is largely due to the impact of foreign exchange as the year-end exchange rate used to translate the International Operations assets increased to 1.2717 compared to 1.1119 last year and 0.9992 in 2012. The change in foreign exchange resulted in an increase in assets of approximately \$34 million compared to last year and \$58 million compared to 2012 with the most significant impact on inventories, property and equipment and goodwill. In addition to the foreign exchange impact, higher cash, property and equipment additions and an increase in deferred tax assets were the leading factors contributing to the increase in assets compared to last year and 2012. The increase in cash compared to last year is primarily due to the timing of deposits in-transit at year-end. The increase in property and equipment is due to investments in new stores, major store renovations, equipment replacements and staff housing renovations. Deferred tax assets have increased compared to last year and 2012 mainly due to an increase in tax assets related to defined benefit plan obligations and property and equipment, and a decrease in the tax liability related to the deferred limited partnership earnings.

Consolidated working capital for the past three years is summarized in the following table:

(\$ in thousands)	2014	2013	2012
Current assets	\$ 315,840	\$ 299,071	\$ 303,896
Current liabilities	\$ (150,229)	\$ (209,738)	\$ (190,184)
Working capital	\$ 165,611	\$ 89,333	\$ 113,712

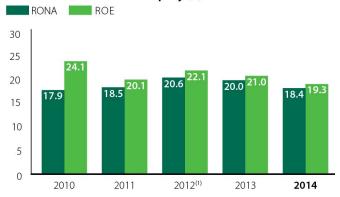
Working capital increased \$76.3 million or 85.4% to \$165.6 million compared to 2013 and \$51.9 million or 45.6% compared to 2012. The increase in working capital is primarily due to a decrease in current liabilities largely related to the current portion of long-term debt. The current portion of long-term debt decreased \$71.5 million or 91.9% compared to 2013 and was down \$34.1 million or 84.5% compared to 2012 as a result of the timing of the maturity of loan facilities. See Note 11 to the consolidated financial statements for further information on long-term debt. Income tax payable of \$1.1 million decreased \$1.8 million compared to \$2.9 million in 2013 due to lower earnings in the Canadian Operations. The decrease in income tax payable from \$19.3 million in 2012 to \$2.9 million in 2013 is due to the conversion from an

income trust to a share corporation on January 1, 2011 and the payment of the 2012 accrued income taxes in 2013. Partially offsetting these factors is an increase in accounts payable and accrued liabilities largely related to the timing of year-end and vendor payment cycles and the impact of foreign exchange.

Return on net assets employed was 18.4% compared to 20.0% in 2013 and return on average equity was 19.3% compared to 21.0% in 2013. Return on net assets decreased due to higher average net assets employed largely resulting from foreign exchange and a 2.6% decrease in earnings before interest and taxes. Additional information on net assets employed for the Canadian Operations and International Operations is on page 12 and page 14 respectively.

Return on average equity decreased to 19.3% due to lower net earnings and a 6.2% increase in average equity compared to last year due in part to higher accumulated other comprehensive income. The decrease in the return on average equity from 2010 compared to 2011 to 2014 as shown in the graph below is largely due to the conversion to a share corporation and the taxation of earnings in the Canadian Operations as previously noted. Further information on shareholders' equity is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

Return on Net Assets & Equity (%)



(1) Certain 2012 figures have been restated as required by the implementation of IAS 19r Employee Benefits. 2011 and previous years have not been restated for these accounting standard changes. See the 2013 annual audited consolidated financial statements for further information.

Total Long-Term Liabilities Consolidated total long-term liabilities for the past three years is summarized in the following table:

(\$ in thousands)	2014	2013	2012
Total long-term liabilities	\$ 244,787	\$ 138,334	\$ 164,960

Consolidated long-term liabilities increased \$106.5 million or 77.0% to \$244.8 million compared to 2013 and were up \$79.8 million or 48.4% from 2012. The increase in long-term liabilities compared to 2013 and 2012 is primarily due to a decrease in the current portion of long-term debt as previously noted in the consolidated working capital section under total assets. Further information on long-term debt is included in the Sources of Liquidity and Capital Structure sections on page 17 and page 18 respectively and in Note 11 to the consolidated financial statements. An increase in the defined benefit plan obligation largely due to a lower discount rate was also a factor. Further information on post-employment benefits is provided in Note 12 to the consolidated financial statements.

Canadian Operations

FINANCIAL PERFORMANCE

Canadian Operations results for the year are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

(\$ in thousands)	2014		2013	2012(2)
Sales	\$ 1,042,168	\$ '	1,022,985	\$ 1,043,050
Same store sales % increase	1.3%		1.7%	1.0%
EBITDA (1)	\$ 100,896	\$	111,225	\$ 106,510
Earnings from operations (1) (EBIT)	\$ 70,594	\$	81,967	\$ 77,355
Return on net assets (1)	21.1%		25.9%	24.9%

- (1) See Non-GAAP Financial Measures section.
- (2) Certain 2012 figures have been restated as required by the implementation of IAS 19r Employee Benefits. See the 2013 annual audited consolidated financial statements for further information.

Sales Canadian Operations sales increased \$19.2 million or 1.9% to \$1.042 billion compared to \$1.023 billion in 2013 driven by food sales growth, but were down \$0.9 million or 0.1% compared to 2012. The decrease in sales compared to 2012 was largely due to the closure of two Northern stores and six Giant Tiger stores in the fourth quarter of 2012 and the impact of one extra day of operations as a result of February 29th. Same store sales increased 1.3% compared to increases of 1.7% in 2013 and 1.0% in 2012. Food sales accounted for 73.4% (72.7% in 2013) of total Canadian sales. The balance was made up of general merchandise sales at 21.7% (22.3% in 2013) and other sales, which consists primarily of fuel sales, fur, tele-pharmacy revenue and service charge revenue at 4.9% (5.0% in 2013).

Food sales increased by 2.8% from 2013 and were up 1.6% compared to 2012. Same store food sales increased 1.8% compared to 1.9% in 2013. Same store food sales had quarterly increases of 0.5%, 1.4%, 2.2% and 3.2% in the fourth quarter. Food sales were up in most categories with our urban and rural stores contributing the largest percentage gains over last year. Food cost inflation was minimal in the first half of the year and increased to approximately 2% in second half of the year.

General merchandise sales decreased 0.6% from 2013 and 5.4% compared to 2012. Same store sales decreased 0.5% compared to a 0.9% increase in 2013. On a quarterly basis, same store sales decreased 2.6% in the first quarter followed by increases of 0.7% and 1.5% in the second and third quarter respectively, and a 1.4% decrease in the fourth quarter. Sales in the first half of the year were negatively impacted by an extended winter road season in northern markets and unseasonably cold spring weather in urban markets. In the second half of the year, general merchandise sales were essentially flat as sales gains in urban and rural markets were offset by lower sales in northern markets.

Other revenues, which include fuel, fur, tele-pharmacy revenue and service charge revenue, were up 0.1% from 2013 and increased 0.7% over 2012. The increase in other revenues is largely due to higher tele-pharmacy and service charge revenues.

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

	2014	2013	2012
Food	73.4%	72.7%	72.2%
General merchandise	21.7%	22.3%	23.0%
Other	4.9%	5.0%	4.8%

Same Store Sales Canadian Operations same store food sales tend to be more stable because of the everyday customer needs they fulfill. Same store general merchandise sales have been more volatile because they are heavily weighted to big-ticket durable goods that depend upon customers' discretionary income. Same store sales for the past three years are shown in the following table:

Same Store Sales

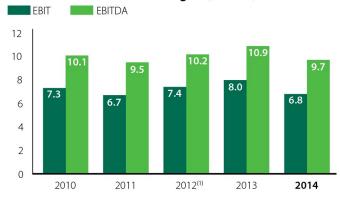
(% change)	2014	2013	2012
Food	1.8 %	1.9%	2.0 %
General merchandise	(0.5)%	0.9%	(2.2)%
Total sales	1.3 %	1.7%	1.0 %

Gross Profit Gross profit dollars for Canadian Operations decreased by 2.5% as the impact of higher sales was more than offset by lower gross profit rates. The decrease in gross profit rate was largely due to \$3.8 million in clearance costs and a write-down of discontinued under-performing general merchandise categories as part of the Company's Top Categories initiative to reallocate selling space to products and services with higher growth potential. The impact of lower food prices in northern markets was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 1.4% from 2013 but were down 11 basis points as a percentage of sales compared to last year. The increase in Expenses is largely due to head office employee restructuring costs this year compared to the net impact of an insurance-related gain and due diligence costs last year. These factors were partially offset by lower short-term incentive plan costs and share-based compensation expense.

Earnings from Operations (EBIT) Earnings from operations decreased \$11.4 million or 13.9% to \$70.6 million compared to \$82.0 million in 2013 as the positive impact of higher sales was more than offset by lower gross profit and higher expenses that were largely due to the non-comparable items previously noted. Excluding the noncomparable items related to the discontinued general merchandise inventory costs and employee restructuring costs this year, and the insurance gain and due diligence costs last year, earnings from operations decreased 3.5% compared to last year and was 6.8% as a percentage of sales compared to 8.0% last year. EBITDA from Canadian Operations decreased \$10.3 million or 9.3% to \$100.9 million and was 9.7% as a percentage of sales compared to 10.9% in 2013. Excluding the impact of the non-comparable items, EBITDA decreased 1.6% and was 10.4% as a percentage of sales compared to 10.7% last year.

Canadian EBIT & EBITDA Margins (% of sales)



Certain 2012 figures have been restated as required by the implementation of IAS 19r Employee Benefits. 2011 and previous years have not been restated for these accounting standard changes. See 2013 annual audited consolidated financial statements for further information.

Net Assets Employed Net assets employed at January 31, 2015, decreased 0.7% to \$312.5 million compared to \$314.8 million at January 31, 2014, but was up 7.1% compared to \$291.9 million at January 31, 2013 as summarized in the following table:

Net Assets Employed

(\$ in millions at the end of the fiscal year)	2014	2013	2012
Property and equipment	\$ 198.5	\$ 189.6	\$ 190.8
Inventory	127.3	130.6	124.2
Accounts receivable	59.2	59.1	60.0
Other assets	70.0	58.8	70.0
Liabilities	(142.5)	(123.3)	(153.1)
Net assets employed	\$ 312.5	\$ 314.8	\$ 291.9

Capital expenditures for the year included three new stores, store replacements, major store renovation projects, equipment and energy-efficient refrigeration upgrades and staff housing improvements.

Inventory decreased compared to 2013 due to the discontinuance of under-performing general merchandise categories and lower food inventories in northern markets. Average inventory levels in 2014 were \$6.7 million or 5.2% higher than 2013 and were up \$8.1 million or 6.3% compared to 2012 largely due to higher inventory purchases in stores serviced by winter road and sealift to take advantage of lower transportation costs. Inventory turnover decreased slightly to 5.4 times compared to 5.5 times in 2013 and 5.7 times in 2012.

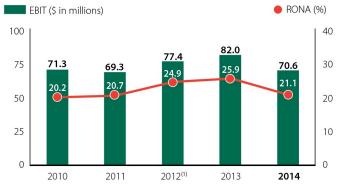
Accounts receivable was flat to last year but down \$0.8 million or 1.3% from 2012. Average accounts receivable was \$1.6 million or 2.7% lower than 2013 and down \$4.4 million or 7.2% compared to 2012. The decrease in accounts receivable compared to 2012 is primarily due to a decrease in an insurance related accounts receivable resulting from stores destroyed by fire in 2011.

Other assets increased \$11.2 million or 19.0% compared to last year but were flat compared to 2012. The increase compared to 2013 is primarily due to a net increase in deferred tax assets resulting from defined benefit plan obligations and a decrease in deferred limited partnership earnings. Further information on deferred tax assets and deferred tax liabilities is provided in Note 9 to the consolidated financial statements. An increase in cash resulting from the timing of deposits in-transit at year-end compared to 2013 was also a factor.

Liabilities increased \$19.2 million or 15.6% from 2013 but were down \$10.6 million or 6.9% compared to 2012 primarily due to an increase in the defined benefit plan obligation and a decrease in income tax payable. The defined benefit plan obligation increased \$18.2 million to \$36.6 million compared to \$18.4 million in 2013 and was up \$8.2 million compared to \$28.4 million in 2012 largely due to a decrease in the discount rate used to calculate pension liabilities. Further information on post-employment benefits is provided in Note 12 to the consolidated financial statements. Accounts payable and accrued liabilities increased \$7.6 million or 8.5% compared to 2013 and were up \$3.0 million or 3.2% compared to 2012 due to higher trade accounts payable related to the timing of payment cycles. Income tax payable decreased \$20.6 million from 2012 due to the conversion from an income trust to a share corporation and the timing of income tax installment payments which resulted in the 2012 accrued income taxes being paid in 2013. Further information on the Conversion to a Share Corporation is provided on page 8.

Return on Net Assets The return on net assets employed for Canadian Operations decreased to 21.1% from 25.9% in 2013 due to a 13.9% decrease in EBIT and a \$17.3 million or 5.5% increase in average net assets compared to last year.

Canadian Return on Net Assets



(1) Certain 2012 figures have been restated as required by the implementation of IAS 19r Employee Benefits. 2011 and previous years have not been restated for these accounting standard changes. See 2013 annual audited consolidated financial statements for further information.

International Operations

(Stated in U.S. dollars)

International Operations include Alaska Commercial Company ("AC"), Cost-U-Less ("CUL") and Pacific Alaska Wholesale ("PAW").

FINANCIAL PERFORMANCE

International Operations results for the year are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

(\$ in thousands)	2014	2013	2012
Sales	\$ 522,275	\$ 500,665	\$471,728
Same store sales % increase (decrease)	4.7%	2.1%	(0.6)%
EBITDA ⁽¹⁾	\$ 33,240	\$ 26,192	\$ 27,273
Earnings from operations ⁽¹⁾ (EBIT)	\$ 24,105	\$ 17,416	\$ 19,259
Return on net assets (1)	13.8%	9.9%	12.1 %

(1) See Non-GAAP Financial Measures section.

Sales International sales increased 4.3% to \$522.3 million compared to \$500.7 million in 2013, and were up 10.7% compared to 2012 driven by strong same store sales growth in both AC and CUL stores. Same store sales increased 4.7% compared to 2.1% in 2013 and a 0.6% decrease in 2012. Food sales accounted for 86.8% (86.7% in 2013) of total sales with the balance comprised of general merchandise at 12.2% (12.2% in 2013) and other sales, which consist primarily of fuel sales and service charge revenues, at 1.0% (1.1% in 2013).

Food sales increased 4.5% from 2013 and were up 10.4% compared to 2012. Same store food sales were up 4.7% compared to a 1.9% increase in 2013. Quarterly same store food sales increases were 1.0%, 3.3%, 6.4% and 7.9% in the fourth quarter.

General merchandise sales increased 4.0% from 2013 and were up 13.7% from 2012. On a same store basis, general merchandise sales were up 4.8% compared to an increase of 3.5% in 2013. Quarterly same store general merchandise sales were up 1.3%, 2.5%, 11.0% and 3.5% in the fourth quarter.

New merchandise assortments, a better in-stock position, improved store execution, strong promotional selling activities and a modestly improved economic environment were leading factors contributing to the same store sales growth. The Company's CUL stores, led by the Barbados store, continued to build sales growth momentum throughout the year with improved same store sales performance each quarter. In Alaska, a 109.3% increase in the Permanent Fund Dividend ("PFD") from \$900 to \$1,884, regional native corporation dividends and other settlement payments also contributed to the same store sales growth.

Other revenues, which consist of fuel and service charge revenue, were down 3.2% from 2013 but were up 1.0% from 2012. The decrease compared to last year is primarily related to lower fuel sales.

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

	2014	2013	2012
Food	86.8%	86.7%	87.1%
General merchandise	12.2%	12.2%	11.8%
Other	1.0%	1.1%	1.1%

Same Store Sales International Operations same store sales for the past three years are shown in the following table. General merchandise same store sales are significantly impacted by consumer spending on big-ticket durable goods that are largely influenced by the previously mentioned special payments, such as the Permanent Fund Dividend and regional native corporation dividends, which can result in greater sales volatility.

Same Store Sales

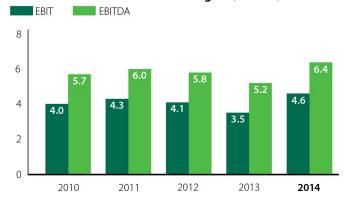
(% change)	2014	2013	2012
Food	4.7%	1.9%	0.3 %
General merchandise	4.8%	3.5%	(6.8)%
Total sales	4.7%	2.1%	(0.6)%

Gross Profit Gross profit dollars increased 5.1% due to sales growth and a 20 basis point increase in gross profit rate. The increase in gross profit rate was largely due to product assortment changes and improved merchandise sourcing, especially within the Barbados store.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased 0.1% compared to last year and were down 93 basis points as a percentage of sales. The decrease in Expenses is primarily due to the closure of a store in Kodiak, Alaska in the second quarter, lower utility costs in certain markets and a decrease in accounts receivable credit loss expense. These factors were largely offset by head office restructuring costs.

Earnings from Operations (EBIT) Earnings from operations increased \$6.7 million or 38.4% to \$24.1 million compared to 2013 due to higher gross profit and flat expenses. EBITDA increased \$7.0 million or 26.9% to \$33.2 million and was 6.4% as a percentage of sales compared to 5.2% in 2013.

International EBIT & EBITDA Margins (% of sales)



Net Assets Employed International Operations net assets employed were flat to last year and up \$3.8 million or 2.3% compared to 2012 as summarized in the following table:

Net Assets Employed

(\$ in millions at the end of the fiscal year)		2014	2013	2012
Property and equipment	\$	89.0	\$ 87.5	\$ 83.3
Inventory		60.9	61.4	63.1
Accounts receivable		10.5	10.3	10.1
Other assets		51.4	49.7	50.2
Liabilities	((40.2)	(37.6)	(38.9)
Net assets employed	\$ 1	71.6	\$ 171.3	\$ 167.8

Property and equipment increased due to a major store expansion and renovation in Bethel, Alaska and investments in energy-efficient refrigeration and equipment upgrades.

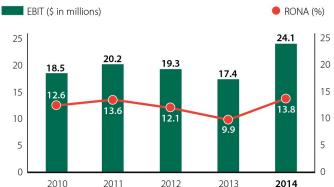
Inventories decreased 0.8% compared to last year and were down \$2.2 million or 3.5% from 2012 due to improved inventory productivity and the impact of a store closure in Kodiak, Alaska. Average inventory levels in 2014 were \$0.9 million or 1.3% lower than 2013 but were \$4.5 million or 7.6% higher than 2012 mainly due to new stores. Inventory turnover improved slightly to 6.1 times compared to 5.8 times in 2013.

Other assets increased \$1.7 million or 3.4% compared to last year with higher cash balances and prepaid expenses at the end of the year partially offset by a decrease in deferred tax assets.

Liabilities increased \$2.6 million or 6.9% compared to 2013 and were up \$1.3 million or 3.3% compared to 2012 due to higher income tax payable.

Return on Net Assets The return on net assets employed for International Operations improved to 13.8% compared to 9.9% in 2013 due to a 38.4% increase in EBIT and a 1.0% decrease in average net assets employed.

International Return on Net Assets



Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

4 2013	2012
9 \$ 132,031	\$ 144,475
(51,995)	(15,483)
80,036	128,992
2) (42,386)	(48,781)
(53,972)	(68,520)
'6 \$ (16,322)	\$ 11,691
	9 \$ 132,031 (51,995) (8 80,036 (2) (42,386) (53,972)

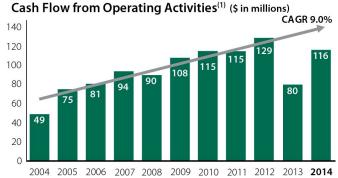
Cash from Operating Activities Cash flow from operating activities increased \$36.0 million or 45.0% to \$116.0 million compared to 2013. The increase in cash flow from operating activities is due to a decrease in income tax paid in the year and the change in non-cash working capital.

The Company paid income taxes of \$32.9 million compared to \$52.0 million in 2013 and \$15.5 million in 2012. The change in income tax payments from 2012 to 2013 is due to the conversion to a share corporation on January 1, 2011. Following the conversion to a share corporation and the deferral of the payment of Canadian income taxes in the transition year in accordance with income tax legislation enacted November 21, 2011, the Company began paying Canadian income tax installments in 2012. The remaining balance of the accrued Canadian income taxes for 2012 of approximately \$19 million was paid in the first quarter of 2013 in addition to making the required Canadian monthly installments for income taxes related to the 2013 tax year which resulted in an increase in income taxes paid to \$52.0 million. In 2014, consolidated income tax payments decreased to \$32.9 million based on a normalized level of taxable income and the recognition of a portion of the deferred limited partnership income. Further information on the Conversion to a Share Corporation is provided on page 8.

Excluding the impact of income tax installments, cash flow from operating activities increased 12.8% to \$148.9 million. Changes in non-cash working capital positively impacted cash flow from operating activities by \$9.2 million compared to a decrease in cash flow of \$10.4 million in 2013 and an increase in cash flow of \$10.8 million in 2012. The change in non-cash working capital is mainly due to the change in inventories, accounts payable and accounts receivable compared to the prior year. Further information on working capital is provided in the Canadian and International net assets employed section on pages 12 and 14 respectively.

Cash flow from operating activities and unutilized credit available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, sustaining and planned growth-related capital expenditures as well as anticipated dividends during 2015.

The compound annual growth rate ("CAGR") for cash flow from operating activities over the past 10 years is 9.0% as shown in the following graph:



(1) 2011 to 2014 are reported in accordance with IFRS. 2010 has been restated to IFRS. All other historical financial information was prepared in accordance with CGAAP and has not been restated to IFRS. In the 2010 fiscal year, North West Company Fund converted from an income trust to a share corporation effective January 1, 2011. See Conversion To A Share Corporation for further information.

As previously noted, the decrease in cash flow from operating activities in 2013 is largely due to the payment of Canadian income taxes.

Cash Used in Investing Activities Net cash used in investing activities was \$50.3 million compared to \$42.4 million in 2013 and \$48.8 million in 2012. Net investing in Canadian Operations was \$39.5 million compared to \$28.0 million in 2013 and \$31.7 million in 2012. A summary of the Canadian Operations investing activities is included in net assets employed on page 12. Net investing in International Operations was \$10.8 million compared to \$14.4 million in 2013 and \$17.1 million in 2012. A summary of the International Operations investing activities is included in net assets employed on page 14.

The following table summarizes the number of stores and selling square footage under NWC's various retail banners at the end of the fiscal year:

	Number o	f Stores	Selling squa	are footage	
	2014	2013	2014	2013	
Northern	121	122	693,338	693,306	
NorthMart	6	7	130,919	147,725	
Quickstop	18	19	31,480	32,477	
Giant Tiger	32	31	510,474	494,057	
AC Value Centers	27	28	278,742	299,005	
Cost-U-Less	13	13	369,281	369,281	
Other Formats	8	6	83,009	45,716	
Total at year-end	225	226	2,097,243	2,081,567	

In the Canadian Operations, a NorthMart in La Ronge, Saskatchewan was converted to a Giant Tiger and a small Northern store and a QuickStop were closed. Under Other Formats, the Company acquired a store under the Price Chopper banner and opened a temporary clearance center in Winnipeg, Manitoba, acquired a Tim Hortons franchise in Thompson, Manitoba and closed the NorthMart Drug Store in La Ronge, Saskatchewan. Total selling square feet in Canada increased to 1,421,622 from 1,385,683 in 2013.

In the International Operations, an AC Value Center in Kodiak, Alaska was closed. International selling square feet decreased to 675,621 from 695,884 in 2013.

Cash Used in Financing Activities Cash used in financing activities was \$59.0 million compared to \$54.0 million in 2013 and \$68.5 million in 2012. The increase is primarily related to a change in amounts drawn on the loan facilities and an increase in dividends paid. Further information on the loan facilities is provided in the Sources of Liquidity section below.

Shareholder Dividends The Company paid dividends of \$56.2 million or \$1.16 per share, an increase of 3.6% compared to \$54.2 million or \$1.12 per share paid in 2013. Further information on dividends is included in Note 19 to the consolidated financial statements.

The following table shows the quarterly cash dividends per share paid for the past three years:

	Dividends	Dividends	Dividends
	2014	2013	2012
First Quarter	\$ 0.29	\$ 0.28	\$ 0.26
Second Quarter	0.29	0.28	0.26
Third Quarter	0.29	0.28	0.26
Fourth Quarter	0.29	0.28	0.26
Total	\$ 1.16	\$ 1.12	\$ 1.04

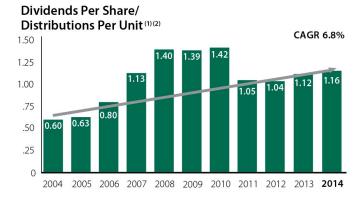
The payment of dividends on the Company's common shares is subject to the approval of the Board of Directors and is based on, among other factors, the financial performance of the Company, its current and anticipated future business needs and the satisfaction of solvency tests imposed by the Canada Business Corporations Act ("CBCA") for the declaration of dividends. The dividends were designated as eligible dividends in accordance with the provisions of the Canadian Income Tax Act.

The following table shows dividends paid in comparison to cash flow from operating activities for the past three years:

	2014		2013		2012
Dividends	\$ 56,180	\$	54,229	\$	50,320
Cash flow from operating activities	\$ 116,038	\$	80,036	\$	128,992
Taxes paid	32,881		51,995		15,483
Operating activities before taxes paid	\$ 148,919	\$	132,031	\$	144,475
Dividends as a % of cash flow from operating activities	48.4%	67.8%	39.0%		
Dividends as a % of cash flow from operating activities before taxes paid	37.7%	41.1%	34.8%		

The decrease in dividends as a percentage of cash flow from operating activities to 48.4% compared to 67.8% in 2013 is largely due to the conversion to a share corporation and the timing of payment of Canadian income tax installments. Further information on income tax installments is provided under cash from operating activities on page 15. Excluding the impact of income tax installments, dividends as a percentage of cash flow from operating activities before taxes paid was 37.7% compared to 41.1% in 2013 and 34.8% in 2012.

The compound annual growth rate ("CAGR") for dividends and distributions over the past 10 years is 6.8% as shown in the following graph:



- (1) All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006.
- (2) From 2004 to 2010, amounts paid to unitholders were distributions from the Fund. The Fund converted to a share corporation effective January 1, 2011. The \$1.05 paid to shareholders in 2011 includes a \$0.09 per unit final distribution from the Fund paid by the Company as part of the conversion to a share corporation plus dividends of \$0.96 per share.

The lower dividends paid in 2011 to 2014 compared to the distributions paid in 2010 is due to the conversion to a share corporation and the taxation of earnings of the Canadian Operations. Prior to the conversion to a share corporation, earnings from The North West Company LP flowed to the Fund on a pre-tax basis and were distributed to unithholders. While higher corporate taxes have reduced the Company's net earnings and cash available for dividends to shareholders, the after-tax impact on personal income is largely offset for taxable Canadian investors due to the dividend tax credit.

Subsequent Event - Dividends On March 12, 2015, the Board of Directors approved a quarterly dividend of \$0.29 per share to shareholders of record on March 31, 2015, to be paid on April 15, 2015.

Post-Employment Benefits The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan, which incorporated legislated changes, administrative practice, and added a defined contribution provision. Under the amended pension plan, all members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. The defined benefit pension previously earned by the members transitioned to the defined contribution plan will continue to accrue in accordance with the provisions of the amended plan based on the member's current pensionable earnings. Members who met the required qualifying threshold elected between continuing to accrue a defined benefit pension and accruing a defined contribution benefit.

As a result of a decrease in long-term interest rates, the Company recorded net actuarial losses on defined benefit pension plans of \$12.0 million net of deferred income taxes in other comprehensive income compared to net actuarial gains on defined benefit pension plans of \$7.8 million net of deferred income taxes in other comprehensive income in 2013 and net actuarial losses of \$1.3 million net of deferred income taxes in 2012. These gains and losses in other comprehensive income were immediately recognized in retained earnings. The net actuarial loss in 2014 was primarily due to a decrease in the discount rate used to calculate pension liabilities from 4.5% in 2013 to 3.5% in

2014. The actuarial gain in 2013 was due to an increase in the discount rate from 4.25% in 2012 to 4.50% in 2013 and higher than expected return on pension plan assets. The decrease in the discount rate was the primary reason for the increase in the defined benefit plan obligation to \$36.6 million compared to \$18.4 million in 2013.

In 2015, the Company will be required to contribute approximately \$3.2 million to the defined benefit pension plans of which approximately \$1.5 million of this obligation may be settled by the issuance of a letter of credit in accordance with pension legislation. The cash contribution to the pension plan is expected to be approximately \$1.7 million in 2015 compared to \$2.1 million in 2014 and \$3.8 million in 2013. The actual amount of the contribution may be different from the estimate based on actuarial valuations, plan investment performance, volatility in discount rates, regulatory requirements and other factors. The Company also expects to contribute approximately \$3.2 million to the defined contribution pension plan and U.S. employees savings plan in 2015 compared to \$3.0 million in 2014 and \$2.7 million in 2013. Additional information regarding post-employment benefits is provided in Note 12 to the consolidated financial statements.

Sources of Liquidity The Canadian Operations have available committed, extendible, revolving loan facilities of \$200.0 million that mature on December 31, 2018. These facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the US\$52.0 million loan facilities in International Operations. These loan facilities bear a floating interest rate based on Banker's Acceptances' rates plus stamping fees or the Canadian prime interest rate. At January 31, 2015, the Company had drawn \$78.4 million on these facilities (January 31, 2014 - \$63.6 million).

At January 31, 2015, the Canadian Operations have outstanding US\$70.0 million senior notes (January 31, 2014 - US\$70.0 million). During the year the Company completed the refinancing of the US \$70.0 million senior notes that matured June 15, 2014. The senior notes that matured had a fixed interest rate of 6.55% on US\$42.0 million and a floating interest rate based on the U.S. three-month London Interbank Offered Rate ("LIBOR") plus a spread on US\$28.0 million. The new senior notes, which mature June 16, 2021, have a fixed interest rate of 3.27% on US\$55.0 million and a floating interest rate on US\$15.0 million based on US LIBOR plus a spread payable semi-annually. The senior notes are secured by certain assets of the Company and rank pari passu with the \$200.0 million Canadian Operations loan facilities and the US\$52.0 million loan facilities. The US\$70.0 million senior notes have been designated as a hedge against the U.S. dollar investment in the International Operations. For more information on the senior notes and financial instruments, see Note 11 and Note 14 to the consolidated financial statements.

The Company's International Operations have available committed, revolving loan facilities of US\$52.0 million that mature on December 31, 2018. These facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the \$200.0 million loan facilities. These facilities bear interest at LIBOR plus a spread or the U.S. prime rate. At January 31, 2015, the Company had drawn US\$22.0 million (January 31, 2014 - US\$36.0 million) on these facilities.

The International Operations also have available a committed, revolving loan facility of US\$30.0 million for working capital requirements and general business purposes. This facility, which matures October 31, 2015, is secured by certain accounts receivable and inventories of the International Operations and bears a floating interest rate based on LIBOR plus a spread. At January 31, 2015, the International Operations had drawn US\$4.8 million on this facility (January 31, 2014 - US\$1.2 million).

The Company has begun the process of refinancing the US\$30.0 million revolving loan facility and does not anticipate any difficulty in completing the refinancing however, economic conditions can change which may negatively impact the availability of credit, interest rates and the scope of financing covenants. For further information on risks related to refinancing, see liquidity risk in the risk management section on page 24.

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At January 31, 2015, the Company is in compliance with the financial covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants.

Interest Costs and Coverage

	2014	2013	2012
Coverage ratio	14.6	12.8	13.8
EBIT (\$ in millions)	\$ 97.5	\$ 100.1	\$ 96.6
Interest (\$ in millions)	\$ 6.7	\$ 7.8	\$ 7.0

The coverage ratio of earnings from operations ("EBIT") to interest expense has improved to 14.6 times compared to 12.8 times in 2013 and 13.8 times in 2012 due to lower interest expense largely related to the refinancing of the senior notes that matured on June 15, 2014. Additional information on interest expense is provided in Note 18 to the consolidated financial statements.

Contractual Obligations and Other Commitments

Contractual obligations of the Company are listed in the chart below:

(\$ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	6 Years+
Long-term debt (including capital lease obligations)	\$201,396	\$ 6,271	\$ 2	\$106,344	\$ 88,779
Operating leases	151,348	25,851	42,584	28,197	54,716
Other liabilities (1)	14,011	9,526	4,485		
Total	\$366,755	\$ 41,648	\$47,071	\$134,541	\$143,495

(1) At year-end, the Company had additional long-term liabilities of \$43.7 million which included other liabilities, defined benefit plan obligations and deferred income tax liabilities. These have not been included as the timing and amount of the future payments are uncertain.

Director and Officer Indemnification Agreements The Company has agreements with its current and former directors, trustees, and officers to indemnify them against charges, costs, expenses, amounts paid in settlement and damages incurred from any lawsuit or any judicial, administrative or investigative proceeding in which they are sued as a result of their service. Due to the nature of these agreements, the Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. The Company has also purchased directors', trustees' and officers' liability insurance. No amount has been recorded in the financial statements regarding these indemnification agreements.

Other Indemnification Agreements The Company provides indemnification agreements to counterparties for events such as intellectual property right infringement, loss or damage to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these agreements are based on the specific contract. The Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. No amount has been recorded in the financial statements regarding these agreements.

Giant Tiger Master Franchise Agreement In 2002, the Company signed a 30-year Master Franchise Agreement with Giant Tiger Stores Limited, based in Ottawa, Ontario which granted the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing food buying and distribution services to the stores. As a result of the closure of six stores during 2012, the Company has fallen below the minimum number of stores required to maintain its exclusive right to open Giant Tiger stores in western Canada. The loss of exclusivity does not constitute an event of default under the Company's master franchise rights and will not prevent the Company from continuing to operate its existing stores or open new stores. Additional information on commitments, contingencies and guarantees is provided in Note 22 to the consolidated financial statements.

Related Parties The Company has a 50% ownership interest in a Canadian Arctic shipping company, Transport Nanuk Inc. and purchases freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries. The purchases are based on market rates for these types of services in an arm's length transaction. Additional information on the Company's transactions with Transport Nanuk Inc. is included in Note 23 to the consolidated financial statements.

Letters of Credit In the normal course of business, the Company issues standby letters of credit in connection with defined benefit pension plans, purchase orders and performance guarantees. The aggregate potential liability related to letters of credit is approximately \$12 million (January 31, 2014 - \$15 million).

Capital Structure The Company's capital management objectives are to deploy capital to provide an appropriate total return to shareholders while maintaining a capital structure that provides the flexibility to take advantage of growth opportunities, maintain existing assets, meet obligations and financial covenants and enhance shareholder value. The capital structure of the Company consists of bank advances, long-term debt and shareholders' equity. The Company manages capital to optimize efficiency through an appropriate balance of debt and equity. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue additional shares, borrow additional funds, adjust the amount of dividends paid or refinance debt at different terms and conditions.

On a consolidated basis, the Company had \$201.4 million in debt and \$329.3 million in equity at the end of the year and a debt-to-equity ratio of 0.61:1 compared to 0.57:1 last year.





The capacity of the Company's capital structure is reflected in the preceding graph. Over the past five years, the Company's debt-toequity ratio has ranged from .67:1 to .55:1. Equity has increased \$42.8 million or 14.9% to \$329.3 million over the past four years and interest-bearing debt has increased \$8.8 million or 4.6% to \$201.4 million compared to \$192.6 million in 2010. During this same time frame, the Company has made capital expenditures, including acquisitions, of \$230.9 million and has paid distributions and dividends of \$280.2 million. This reflects the Company's balanced approach of investing to sustain and grow the business while providing shareholders with an annual cash return.

Consolidated debt at the end of the year increased \$18.5 million or 10.1% to \$201.4 million compared to \$182.9 million in 2013, and was up \$38.0 million or 23.3% from \$163.4 million in 2012. As summarized in the table below, the increase in debt is due to higher amounts drawn on the Canadian Operations loan facilities and the impact of foreign exchange on the translation of U.S. denominated debt. The Company has US\$96.9 million in debt at January 31, 2015 (January 31, 2014 - US \$107.4 million, January 31, 2013 - US\$111.3 million) that is exposed to changes in foreign exchange rates when translated into Canadian dollars. The exchange rate used to translate U.S. denominated debt into Canadian dollars at January 31, 2015 was 1.2717 compared to 1.1119 at January 31, 2014 and 0.9992 at January 31, 2013. The change in the foreign exchange rate resulted in a \$15.5 million increase in debt compared to 2013 and a \$26.4 million increase compared to 2012. Average debt outstanding during the year excluding the foreign exchange impact increased \$8.4 million or 4.4% from 2013 and was up \$20.3 million or 11.3% compared to 2012. The debt outstanding at the end of the fiscal year is summarized as follows:

(\$ in thousands at the end of the fiscal year)	2014	2013	2012
Senior notes	\$ 88,779	\$ 77,576	\$ 69,461
Canadian revolving loan facilities	78,367	63,607	52,499
U.S. revolving loan facilities	34,121	41,330	40,686
Notes payable	72	210	388
Finance lease liabilities	57	139	320
Total	\$ 201,396	\$ 182,862	\$ 163,354

Shareholder Equity The Company has an unlimited number of authorized shares and had issued and outstanding shares at January 31, 2015 of 48,497,199 (48,425,787 as at January 31, 2014). The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Each option is exercisable into one common share of the Company at a price specified in the option agreement. As at January 31, 2015, there were 1,599,871 options outstanding representing approximately 3.3% of the issued and outstanding shares. Further information on share options is provided in Note 13 and additional information on the Company's share capital is provided in Note 15 to the consolidated financial statements.

Book value per share, on a diluted basis, at the end of the year increased to \$6.76 compared to \$6.63 per share in 2013. Shareholders' equity increased \$6.8 million or 2.1% compared to 2013 largely due to net earnings of \$62.9 million partially offset by dividends to shareholders of \$56.2 million. Further information is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

QUARTERLY FINANCIAL INFORMATION

Historically, the Company's first quarter sales are the lowest and fourth quarter sales are the highest, reflecting consumer buying patterns. Due to the remote location of many of the Company's stores, weather conditions are often more extreme compared to other retailers and can affect sales in any 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.

The following is a summary of selected quarterly financial information:

(\$ thousands)		Q1		Q2		Q3		Q4		Total
Sales										
2014	\$3	76,257	\$4	401,127	\$4	413,512	\$4	433,504	\$1	,624,400
2013	\$3	64,474	\$3	388,610	\$3	387,173	\$4	402,868	\$1	,543,125
EBITDA										
2014	\$	30,220	\$	36,393	\$	37,804	\$	33,421	\$	137,838
2013	\$	30,009	\$	37,412	\$	36,543	\$	34,372	\$	138,336
Earnings fro	m op	peration	ıs (E	BIT)						
2014	\$	20,002	\$	26,345	\$	27,870	\$	23,249	\$	97,466
2013	\$	20,544	\$	28,023	\$	26,876	\$	24,617	\$	100,060
Net earnings	5									
2014	\$	12,679	\$	16,850	\$	18,401	\$	14,953	\$	62,883
2013	\$	12,910	\$	18,111	\$	17,387	\$	15,855	\$	64,263
Earnings per	sha	re-basio	:							
2014	\$	0.26	\$	0.35	\$	0.38	\$	0.31	\$	1.30
2013	\$	0.27	\$	0.37	\$	0.36	\$	0.33	\$	1.33
Earnings per	sha	re-dilut	ed							
2014	\$	0.26	\$	0.35	\$	0.37	\$	0.31	\$	1.29
2013	\$	0.27	\$	0.37	\$	0.36	\$	0.32	\$	1.32

Fourth Quarter Highlights Fourth quarter consolidated sales increased 7.6% to \$433.5 million driven by strong sales gains within the International Operations and the impact of foreign exchange on the translation of U.S. denominated sales. Excluding the foreign exchange impact, consolidated sales increased 4.3% and were up 3.6% on a same store basis. Food sales increased 6.1% and were up 4.9% on a same store basis with all banners contributing to the sales growth. General merchandise sales increased 0.3% but were down 0.4% on a same store basis, as lower sales in Canadian Operations more than offset sales gains in the International Operations.

Gross profit dollars were up only 1.4% as the gross profit rate decreased 170 basis points primarily due to \$3.8 million in costs related to the write-down and clearance of discontinued under-performing general merchandise inventory in the Northern Canada stores. This action was part of the Company's initiative to reallocate selling space to products and services with higher growth potential.

Selling, operating and administrative expenses ("expenses") increased 3.2% but were down 96 basis points as a percentage to sales. The expense increase was substantially due to the impact of foreign exchange on the translation of International Operations expenses and higher share-based compensation costs related to a 14.0% increase in share price in the quarter compared to a 2.0% decrease last year. These factors were partially offset by lower short-term incentive plan costs.

Earnings from operations² decreased 5.6% to \$23.2 million compared to \$24.6 million in the fourth quarter last year due to the impact of lower gross profit rates largely related to the general merchandise inventory reduction and higher expenses. Excluding the impact of the general merchandise inventory reduction costs and foreign exchange, earnings from operations were up 7.0% to last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA²) decreased 2.8% to \$33.4 million as lower EBITDA in the Canadian Operations more than offset very strong performance within the International Operations and the impact of foreign exchange. Excluding the impact of the general merchandise inventory reduction costs and foreign exchange, EBITDA was up 5.7% compared to last year and as a percentage to sales was 8.7% compared to 8.6% last year.

Interest expense decreased \$622 or 30.2% to \$1.4 million largely due to lower interest rates on the senior notes that were refinanced in the 2014 second quarter, partially offset by higher average debt outstanding during the quarter compared to last year.

Income tax expense increased \$0.2 million to \$6.9 million and the consolidated effective tax rate was 31.4% compared to 29.7% last year primarily due to a higher blend of earnings from the International Operations compared to the fourth quarter last year.

Net earnings decreased \$0.9 million or 5.7% to \$15.0 million and diluted earnings per share was \$0.31 per share compared to \$0.32 per share last year as higher net earnings in the International Operations and the impact of foreign exchange was more than offset by lower earnings in the Canadian Operations largely related to the general merchandise inventory reduction costs. Excluding the net impact of the general merchandise inventory reduction costs and foreign exchange, net earnings increased 8.7% compared to last year.

⁽¹⁾ Excluding the foreign exchange impact.

⁽²⁾ See Non-GAAP Measures Section of Management's Discussion & Analysis.

Working capital increased \$76.3 million compared to the fourth quarter last year due to a decrease in the current portion of long-term debt as a result of refinancing the senior notes in the Canadian Operations. Further information on long-term debt is provided in the sources of liquidity section and in Note 11 to the Company's 2014 annual audited consolidated financial statements. Excluding the impact of the current portion of long-term debt, working capital increased \$4.8 million or 2.9% compared to last year. The increase in working capital is largely due to the impact of foreign exchange on the translation of U.S. denominated working capital primarily related to inventories and accounts payable in the International Operations partially offset by higher trade accounts payable in the Canadian Operations related to the timing of payments. The exchange rate used to translate U.S. denominated assets and liabilities into Canadian dollars at January 31, 2015 was 1.2717 compared to 1.1119 at January 31, 2014.

Cash flow from operating activities in the quarter increased \$9.7 million or 20.9% to \$56.2 million compared to cash flow from operating activities of \$46.5 million last year. The increase is largely due to noncash working capital related to the change in inventories and accounts payable compared to the prior year.

Cash used for investing activities in the quarter increased to \$18.0 million compared to \$14.1 million last year. The increase for the quarter is largely due to investments in major store renovations, store replacements, fixtures and equipment related to the Top 40 initiative described in the Strategies Section.

Cash used in financing activities in the quarter was \$42.2 million compared to \$45.8 million last year. The Company paid dividends of \$14.0 million, an increase of 3.5%, compared to \$13.6 million in the fourth quarter last year.

Further information on the quarterly financial performance of the Company is provided in the interim MD&A available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that decisions can be made regarding public disclosure. Based on an evaluation of the Company's disclosure controls and procedures, as required by National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the Company's CEO and CFO have concluded that these controls and procedures were designed and operated effectively as of January 31, 2015.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining 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 International Financial Reporting Standards. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or the degree of compliance with policies and procedures may deteriorate. Furthermore, management is required to use judgment in evaluating controls and procedures. Based on an evaluation of the Company's internal controls over financial reporting using the framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"), 2013 as required by National Instrument 52-109, the Company's CEO and CFO have concluded that the internal controls over financial reporting were designed and operated effectively as of January 31, 2015. There have been no changes in the internal controls over financial reporting during the quarter and for the year ended January 31, 2015 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

The Company incurred head office and general merchandising restructuring charges in 2014 as part of its strategy to focus resources on its Top 40 Markets and Top Categories. The successful execution of this work is expected to enable North West to capture market share and sales at a higher rate than general consumer income growth, while focusing on lower-risk products and services.

By region, the economic outlook is most promising in the Caribbean and Pacific regions, spurred by a slow recovery in tourism spending and lower energy costs. In Alaska, spending momentum is tied to an improving U.S. outlook but with a risk of softening in late 2015 if oil prices eventually force reductions in State of Alaska program spending that effect rural areas. Margin pressures in Western Canada are expected to ease as retailers pass through inflationary cost increases. Income contraction in Alberta and Saskatchewan are not expected to adversely affect the Company's Giant Tiger discount banner. Consumer income in Northern Canada is expected to remain constrained by limited resource or government infrastructure investment, with some upside from lower fuel prices.

Upside to the business in 2015 will depend on the timing and success of Top 40 Markets and Top Categories work as well as the consumer income and competitive factors noted above. Downside exists with respect to possible continued margin pressure in food and the transition of reducing general merchandise inventory and shifting selling space which is expected to be substantially completed in the third quarter.

Net capital expenditures for 2015 are expected to be approximately \$65.0 million (2014 - \$50.3 million) reflecting major store replacements, store renovations and investments in fixtures, equipment, staff housing and store-based warehouse expansions as part of the Company's Top 40 Markets initiative. In 2015, the Company expects to complete 10 to 12 stores under the Top 40 Markets initiative in Northern Canada with most openings weighted to the third quarter. The Company also plans to open three Giant Tiger stores and complete "New Store Experience" upgrades in six Giant Tiger stores. Store-based capital expenditures can be impacted by the completion of landlord negotiations, shipment of construction materials to remote markets, and weather-related delays and therefore, their actual amount and timing can fluctuate.

RISK MANAGEMENT

The North West Company maintains an Enterprise Risk Management ("ERM") program which assists in identifying, evaluating and managing risks that may reasonably have an impact on the Company. An annual ERM assessment is completed to evaluate risks and the potential impact that the risks may have on the Company's ability to execute its strategies and achieve its objectives. The results of this annual assessment and regular updates are presented to the Board of Directors who are accountable for providing oversight of the ERM program.

The North West Company is exposed to a number of risks in its business. The descriptions of the risks below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially adversely affected. Readers of this MD&A are also encouraged to refer to the Key Performance Drivers and Capabilities Required to Deliver Results and Outlook sections of this MD&A, as well as North West's Annual Information Form, which provides further information on the risk factors facing the Company. While the Company employs strategies to minimize these risks, these strategies do not guarantee that events or

circumstances will not occur that could negatively impact the Company's financial condition and performance.

Careful consideration should be given to the risk factors which include, but are not limited to, the following:

Business Model The Company serves geographically diverse markets and sells a very wide range of products and services. Operational scale can be difficult to achieve and the complexity of the Company's business model is higher compared to more narrowly-focused or larger retailers. Management continuously assesses the strength of its customer value offer to ensure that specific markets, products and services are financially attractive. Considerable attention is also given to streamlining processes to simplify work across the Company. To the extent the Company is not successful in developing and executing its strategies, it could have an adverse effect on the financial condition and performance of the Company.

Employee Development and Retention Attracting, retaining and developing high caliber employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography and remoteness of the Company's markets, there is significant competition for talent and a limited number of qualified personnel, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies and could negatively affect financial performance. The Company's overall priority on building and sustaining store competency reflects the importance of mitigating against this risk. In addition to compensation programs and investments in staff housing that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based manager-intraining programs.

Competition The Company has a leading market position in a large percentage of the markets it serves. Sustaining and growing this position depends on our ability to continually improve customer satisfaction while identifying and pursuing new sales opportunities. We actively monitor competitive activity and we are proactive in enhancing our value offer elements, ranging from in-stock position to service and pricing. To the extent that the Company is not effective in responding to consumer trends or enhancing its value offer, it could have a negative impact on financial performance. Furthermore, the entrance of new competitors, an increase in competition, both local and outside the community, or the introduction of new products and services in the Company's markets could also negatively affect the Company's financial performance.

Community Relations A portion of the Company's sales are derived from communities and regions that restrict commercial land ownership and usage by non-indigenous or non-local owned businesses or which have enacted policies and regulations to support locally-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include store lease arrangements with community-based development organizations and initiatives to recruit local residents into management positions and to incorporate community stakeholder advice into our business at all levels. To the extent the Company is not successful in maintaining these relations or is unable to renew lease agreements with community-based organizations, or is subject to punitive fees or operating restrictions, it could have an adverse effect on the Company's reputation and financial performance.

Economic Environment External factors which affect customer demand and personal disposable income, and over which the Company exercises no influence, include government fiscal health, general economic growth, changes in commodity prices, inflation, unemployment rates, personal debt levels, levels of personal disposable income, interest rates and foreign exchange rates. Changes in the inflation rate and foreign exchange rate are unpredictable and may impact the cost of merchandise and the prices charged to consumers which in turn could negatively impact sales and net earnings.

Our largest customer segments derive most of their income directly or indirectly from government infrastructure spending or direct payment to individuals in the form of social assistance, child tax benefits and old age security. While these tend to be stable sources of income, independent of economic cycles, a decrease in government income transfer payments to individuals, a recession, or a significant and prolonged decline in consumer spending could have an adverse effect on the Company's operations and financial performance.

Furthermore, customers in many of the Company's markets benefit from product cost subsidies through programs such as Nutrition North Canada ("NNC"), the U.S. Supplemental Nutrition Assistance Program ("SNAP") and the by-pass mail system in Alaska which contribute to lower living costs for eligible customers. A change in government policy could result in a reduction in financial support for these programs which would have a significant impact on the price of merchandise and consumer demand.

A major source of employment income in the remote markets where the Company operates is generated from local government and spending on public infrastructure. This includes housing, schools, health care facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year-to-year depending on the degree of infrastructure activity and a community's overall fiscal health. A similar fluctuating source of income is employment related to tourism and natural resource development. A significant or prolonged reduction in government transfers, spending on infrastructure projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items.

Management regularly monitors economic conditions and considers factors which can affect customer demand in making operating decisions and the development of strategic initiatives and long-range plans.

Information Technology The Company relies on information technology ("IT") to support the current and future requirements of the business. A significant or prolonged disruption in the Company's current IT systems could negatively impact day-to-day operations of the business which could adversely affect the Company's financial performance and reputation.

The failure to successfully upgrade legacy systems or implement new systems could also have an adverse effect on the Company's operations, reputation and financial performance. There is also a risk that the anticipated benefits, cost savings or operating efficiencies related to upgrading or implementing new IT systems may not be realized which could affect the Company's financial performance or reputation. To help mitigate these risks, the Company uses a combination of specialized internal and external IT resources as well as a strong governance structure and disciplined project management.

The Company relies on the integrity and continuous availability of its IT systems. IT systems are exposed to the risks of "cyber attack", including viruses that can paralyze IT systems or unauthorized access to confidential Company information or customer information. Any failure relating to IT system availability or security, or a significant loss

of data or an impairment of data integrity, could adversely affect the financial performance and reputation of the Company.

Fuel and Utility Costs Compared to other retailers, the Company is more exposed to fluctuations in the price of energy, particularly oil. Due to the vast geography and remoteness of the store network, expenses related to aviation fuel, diesel-generated electricity, and heating fuel costs are a more significant component of the Company's and its customers' expenses. To the extent that escalating fuel and utility costs cannot be offset by alternative energy sources, energy conservation practices or offsetting productivity gains, this may result in higher retail prices or lower operating margins which may affect the Company's financial performance. In this scenario, consumer retail spending will also be affected by higher household energy-related expenses.

Income Taxes In the ordinary course of business, the Company is subject to audits by tax authorities. The Company regularly reviews its compliance with tax legislation, filing positions, the adequacy of its tax provisions and the potential for adverse outcomes. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the outcome is determined.

Laws, Regulations and Standards The Company is subject to various laws, regulations and standards administered by federal, provincial and foreign regulatory authorities, including but not limited to income, commodity and other taxes, duties, currency repatriation, health and safety, employment standards, licensing requirements, product packaging and labeling regulations and zoning. New accounting standards and pronouncements or changes in accounting standards may also impact the Company's financial results.

These laws, regulations and standards and their interpretation by various courts and agencies are subject to change. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws, regulations and standards could result in financial penalties, assessments, sanctions or legal action that could have an adverse effect on the reputation and the financial performance of the Company.

The Company is also subject to various privacy laws and regulations regarding the protection of personal information of its customers and employees. Any failure in the protection of this information or non-compliance with laws or regulations could negatively affect the Company's reputation and financial performance.

Environmental The Company owns a large number of facilities and real estate, particularly in remote locations, and is subject to environmental risks associated with the contamination of such facilities and properties. The Company operates retail fuel outlets in a number of locations and uses fuel to heat stores and housing. Contamination resulting from gasoline and heating fuel is possible. The Company employs operating, training, monitoring and testing procedures to minimize the risk of contamination. The Company also operates refrigeration equipment in its stores and distribution centers which, if the equipment fails, could release gases that may be harmful to the environment. The Company has monitoring and preventative maintenance procedures to reduce the risk of this contamination occurring. Even with these risk mitigation policies and procedures, the Company could incur increased or unexpected costs related to environmental incidents and remediation activities, including litigation and regulatory compliance costs, all of which could have an

adverse effect on the reputation and financial performance of the Company.

Financial Services Business The financial services operations are a part of the business of the Company. There is a risk of customer defaults on credit accounts, particularly following deterioration in the economy. The credit card industry is highly competitive and other credit card issuers may seek to expand or to enter the Company's markets. New federal, provincial and state laws, and amendments to existing laws, may be enacted to further regulate the credit card industry or to reduce finance charges or other fees or charges applicable to credit card accounts. Deterioration in the financial services business could have an adverse effect on the financial performance of the Company.

Food and Product Safety The Company is exposed to risks associated with food safety, product handling and general merchandise product defects. Food sales represent approximately 78% of total Company sales. A significant outbreak of a food-borne illness or increased public concerns with certain food products could have an adverse effect on the reputation and financial performance of the Company. The Company has food preparation, handling and storage procedures which help mitigate these risks. The Company also has product recall procedures in place in the event of a food-borne illness outbreak or product defect. The existence of these procedures does not eliminate the underlying risks and the ability of these procedures to mitigate risk in the event of a food-borne illness or product recall is dependent on their successful execution.

Vendor and Third Party Service Partner Management The Company relies on a broad base of manufacturers, suppliers, logistics service providers and operators of distribution facilities to provide goods and services. Events or disruptions affecting these suppliers outside of the Company's control could in turn result in delays in the delivery of merchandise to the stores and therefore negatively impact the Company's reputation and financial performance. A portion of the merchandise the Company sells is purchased offshore. Offshore sourcing could provide products that contain harmful or banned substances or do not meet the required standards. The Company uses offshore consolidators and sourcing agents to monitor product quality and reduce the risk of sub-standard products however, there is no certainty that these risks can be completely mitigated in all circumstances.

Management of Inventory Success in the retail industry depends on being able to select the right merchandise, in the correct quantities in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess inventory for some products and missed sales opportunities for others which could have an adverse effect on operations and financial performance. Excess inventory may also result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial performance of the Company.

Litigation In the normal course of business, the Company is subject to a number of claims and legal actions that may be made by its customers, suppliers and others. The Company records a provision for litigation claims if management believes the Company has liability for such claim or legal action. If management's assessment of liability or the amount of any such claim is incorrect, or the Company is unsuccessful in defending its position, any difference between the judgment or penalty amount and the provision would become an expense or a recovery in the period such claim was resolved.

Post-Employment Benefits The Company engages professional investment advisors to manage the assets in the defined benefit

pension plans. The performance of the Company's pension plans and the plan funding requirements are impacted by the returns on plan assets, changes in the discount rate and regulatory funding requirements. If capital market returns are below the level estimated by management, or if the discount rate used to value the liabilities of the plans decreases, the Company may be required to make contributions to its defined benefit pension plans in excess of those currently contemplated, which may have an adverse effect on the Company's financial performance.

The Company regularly monitors and assesses the performance of the pension plan assets and the impact of changes in capital markets, changes in plan member demographics, and other economic factors that may impact funding requirements, benefit plan expenses and actuarial assumptions. The Company makes cash contributions to the pension plan as required and also uses letters of credit to satisfy a portion of its funding obligations. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan and added a defined contribution plan. Under the amended pension plan, all members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. Further information on post-employment benefits is provided on page 16 and in Note 12 to the consolidated financial statements.

Insurance The Company manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Company's insurance program is based on various lines and limits of coverage. Insurance is arranged with financially stable insurance companies as rated by professional rating agencies. There is no guarantee that any given risk will be mitigated in all circumstances or that the Company will be able to continue to purchase this insurance coverage at reasonable rates.

Climate The Company's operations are exposed to extreme weather conditions ranging from blizzards to hurricanes, typhoons, cyclones and tsunamis which can cause loss of life, damage to or destruction of key stores and facilities, or temporary business disruptions. The stores located in the South Pacific, Caribbean and coastal areas of Alaska are also at risk of earthquakes which can result in loss of life and destruction of assets. Such losses could have an adverse effect on the operations and financial performance of the Company. Global warming conditions would also have a more pronounced effect, both positive and negative, on the Company's most northern latitude stores.

Dependence on Key Facilities There are six major distribution centres which are located in Winnipeg, Manitoba; Anchorage, Alaska; San Leandro, California; Port of Tacoma, Washington; and third party managed facilities in Edmonton, Alberta and Miami, Florida. In addition, the Company's Canadian Operations support office is located in Winnipeg, Manitoba and the International Operations has support offices in Anchorage, Alaska and Bellevue, Washington. A significant or prolonged disruption at any of these facilities due to fire, inclement weather or otherwise could have a material adverse effect on the financial performance of the Company.

Geopolitical Changes in the domestic or international political environment may impact the Company's ability to source and provide products and services. Acts of terrorism, riots, and political instability, especially in less developed markets, could have an adverse effect on the financial performance of the Company.

Ethical Business Conduct The Company has a Code of Business Conduct and Ethics policy which governs both employees and

Directors. The Business Ethics Committee monitors compliance with the Code of Business Conduct and Ethics. The Company also has a Whistleblower Policy that provides direct access to members of the Board of Directors. Unethical business conduct could negatively impact the Company's reputation and relationship with its customers, investors and employees, which in turn could have an adverse effect on the financial performance of the Company.

Financial Risks In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company manages financial risk with oversight provided by the Board of Directors, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes. These risks and the actions taken to minimize the risks are described below. Further information on the Company's financial instruments and associated risks are provided in Note 14 to the consolidated financial statements.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not have any individual customer accounts greater than 10% of total accounts receivable.

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and both planned sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2015, the Company had undrawn committed revolving loan facilities available of \$180.5 million (January 31, 2014 - \$172.5 million).

The Company has a US\$30.0 million revolving loan facility that matures on October 31, 2015. At January 31, 2015, there was US\$4.8 million drawn on this facility. The Company has begun the process of refinancing this facility and does not anticipate any difficulty in completing the refinancing however, global economic conditions can change which may negatively impact the availability of credit, interest rates and covenants for companies seeking to refinance debt. To the extent that the Company cannot meet its obligations or refinance its debt when it comes due, or can only do so at an excessive cost, this may have a material adverse effect on the financial performance of the Company. For further information on loan facilities, see Note 11 to the consolidated financial statements.

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in International Operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging the net investment in foreign operations with a portion of U.S. dollar denominated borrowings as described in the Sources of Liquidity section on page 17. At January 31, 2015, the Company had US\$96.9 million in U.S. denominated debt compared to US\$107.4 million at January 31, 2014. Further information on the impact of foreign exchange rates on the translation of U.S. denominated debt is provided in the Capital Structure section on page 18.

The Company is also exposed to currency risk relating to the

translation of International Operations earnings to Canadian dollars. In 2014, the average exchange rate used to translate U.S. denominated earnings from the International Operations was 1.1148 compared to 1.0389 last year. The Canadian dollar's depreciation in 2014 compared to the U.S. dollar in 2013 positively impacted consolidated net earnings by \$1.1 million. In 2013, the average exchange rate was 1.0389 compared to 0.9976 in 2012 which resulted in an increase in 2013 consolidated net earnings of \$0.4 million compared to 2012.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by using a combination of fixed and floating interest rate debt and may use interest rate swaps. Additional information regarding interest rate swaps is provided in Note 14 to the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Judgment has been used in the application of accounting policy and to determine if a transaction should be recognized or disclosed in the financial statements while estimates and assumptions have been used to measure balances recognized or disclosed. These estimates, assumptions and judgments are based on management's historical experience, knowledge of current events, expectations of future outcomes and other factors that management considers reasonable under the circumstances. Certain of these estimates and assumptions require subjective or complex judgments by management about matters that are uncertain and changes in these estimates could materially impact the consolidated financial statements and disclosures. Management regularly evaluates the estimates and assumptions it uses and revisions are recognized in the period in which the estimates are reviewed and in any future periods affected. The areas that management believes involve a higher degree of judgment or complexity, or areas where the estimates and assumptions may have the most significant impact on the amounts recognized in the consolidated financial statements include the following:

Valuation of Accounts Receivable The Company records an allowance for doubtful accounts related to accounts receivable that may potentially be impaired. The allowance is based on the aging of the accounts receivable, our knowledge of our customers' financial condition, the current business environment and historical experience. A significant change in one or more of these factors could impact the estimated allowances for doubtful accounts recorded in the consolidated balance sheet and the provisions for debt loss recorded in the consolidated statement of earnings. Additional information on the valuation of accounts receivable is provided in Note 5 and the Credit Risk section in Note 14 to the consolidated financial statements.

Valuation of Inventories Retail inventories are stated at the lower of cost and net realizable value. Significant estimation is required in: (1) the determination of discount factors used to convert inventory to cost after a physical count at retail has been completed; (2) recognizing merchandise for which the customer's perception of value has declined and appropriately marking the retail value of the merchandise down to the perceived value; and (3) estimating inventory losses, or shrinkage, occurring between the last physical count and the balance sheet date.

Food inventories counted at retail are converted to cost by applying a discount factor to retail selling prices. This discount factor is calculated in relation to historical gross margins and is reviewed on a regular basis for reasonableness. General merchandise inventories counted at retail are converted to cost by applying average cost factors by merchandise category. These cost factors represent the average cost-to-retail ratio for each merchandise category based on beginning inventory and purchases made throughout the year.

Inventory shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory count to the balance sheet date. The estimate is based on historical experience and the most recent physical inventory results. To the extent that actual losses experienced vary from those estimated, both inventories and cost of sales may be impacted.

Changes or differences in these estimates may result in changes to inventories on the consolidated balance sheet and a charge or credit to cost of sales in the consolidated statement of earnings. Additional information regarding inventories is provided in Note 6 to the consolidated financial statements.

Post-Employment Benefits The defined benefit plan obligations are accrued based on actuarial valuations which are dependent on assumptions determined by management. These assumptions include the discount rate used to calculate benefit plan obligations, the rate of compensation increase, retirement ages, and mortality rates. These assumptions are reviewed by management and the Company's actuaries.

The discount rate used to calculate benefit plan obligations and the rate of compensation increase are the most significant assumptions. The discount rate used to calculate benefit plan obligations and plan asset returns is based on market interest rates, as at the Company's measurement date of January 31, 2015 on a portfolio of Corporate AA bonds with terms to maturity that, on average, matches the terms of the defined benefit plan obligations. The discount rates used to measure the benefit plan obligations for fiscal 2014 and 2013 were 3.50% and 4.50% respectively. Management assumed the rate of compensation increase for fiscal 2014 and 2013 at 4.0%.

These assumptions may change in the future and may result in material changes in the defined benefit plan obligation on the Company's consolidated balance sheet, the defined benefit plan expense on the consolidated statement of earnings and the net actuarial gains or losses recognized in comprehensive income and retained earnings. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. Additional information regarding the Company's post-employment benefits is provided in Note 12 to the consolidated financial statements.

Impairment of Long-lived Assets The Company assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. Judgment is used to determine if a triggering event has occurred requiring an impairment test to be completed. If there is an indication of impairment, the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For tangible and intangible assets excluding goodwill, judgment is required to determine the CGU based on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. To the extent that the carrying value exceeds the estimated recoverable amount, an impairment charge is recognized in the consolidated statement of earnings in the period in which it occurs.

Various assumptions and estimates are used to determine the recoverable amount of a CGU. The Company determines fair value less costs of disposal using estimates such as market rental rates for comparable properties, property appraisals and capitalization rates. The Company determines value in use based on estimates and assumptions regarding future financial performance. The underlying estimates for cash flows include estimates for future sales, gross margin rates and store expenses, and are based upon the stores' past and expected future performance. Changes which may impact future cash flows include, but are not limited to, competition, general economic conditions and increases in operating costs that can not be offset by other productivity improvements. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings.

Goodwill Goodwill is not amortized but is subject to an impairment test annually or whenever indicators of impairment are detected. Judgment is required to determine the appropriate grouping of CGUs for the purpose of testing for impairment. Judgment is also required in evaluating indicators of impairment which would require an impairment test to be completed. Goodwill is allocated to CGUs that are expected to benefit from the synergies of the related business combination and represents the lowest level within the Company at which goodwill is monitored for internal management purposes, which is the Company's International Operations segment before aggregation.

The value of the goodwill was tested by means of comparing the recoverable amount of the operating segment to its carrying value. The recoverable amount is the greater of its value in use or its fair value less costs of disposal. The operating segment's recoverable amount was based on fair value less costs of disposal. A range of fair values was estimated by inferring enterprise values from the product of financial performance and comparable trading multiples. Values assigned to the key assumptions represent management's best estimates and have been based on data from both external and internal sources. Key assumptions used in the estimation of enterprise value include: budgeted financial performance, selection of market trading multiples and costs to sell. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings.

The Company performed the annual goodwill impairment test in 2014 and determined that the recoverable amount of the International Operations segment exceeded its carrying value. No goodwill impairment was identified and management considers any reasonably foreseeable changes in key assumptions unlikely to produce a goodwill impairment.

Income and Other Taxes Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to use judgment regarding the interpretation and application of tax legislation in the various jurisdictions in which the Company operates. The calculation of deferred income tax assets and liabilities is also impacted by estimates

of future financial results, expectations regarding the timing of reversal of temporary differences, and assessing the possible outcome of audits of tax filings by the regulatory agencies.

Changes or differences in these estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 9 to the consolidated financial statements.

ACCOUNTING STANDARDS IMPLEMENTED IN 2014

The Company adopted the amendments to IFRS listed below effective February 1, 2014, as required by the International Accounting Standards Board ("IASB").

The Company adopted amendments to IAS 32, Financial Instruments: Presentation and IFRIC 21, Levies retrospectively effective February 1, 2014. IAS 32 clarified the requirements that permit offsetting certain financial instruments. IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms a levy liability is recognized only when the triggering event specified in the legislation occurs. Neither change had an impact on the Company's consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2015, and have not been applied in preparing these consolidated financial statements.

Financial Instruments The amended IFRS 9, Financial Instruments is a multi-phase project with the goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial assets and liabilities, hedge accounting and a single forward-looking expected loss impairment model. These changes are effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and are available for early adoption. The Company is currently assessing the potential impact of changes to this standard.

Revenue Recognition In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The new standard is effective for the Company's financial year ending January 31, 2018, will be applied retrospectively and is available for early adoption. The IFRS 15 standard contains a comprehensive model which specifies the criteria and timing for recognizing revenue, and also requires additional disclosures in the notes to the financial statements. The core principle of the standard is that revenue is recognized at an amount that reflects the consideration the Company is entitled to. The Company is currently assessing the potential impact this new standard will have on its consolidated financial statements.

Presentation of Financial Statements In December 2014 the IASB issued amendments to IAS 1, Presentation of Financial Statements. The amendments provide guidance on the application of judgment in the preparation of financial statements and disclosure and are effective for the Company's financial year ending January 31, 2017. The Company is currently assessing the potential impact of changes to this standard.

NON-GAAP FINANCIAL MEASURES

(1) Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDA 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 EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to EBITDA is provided below:

Reconciliation of Net Earnings to EBITDA

(\$ in thousands)	2014	2013	2012
Net earnings	\$ 62,883	\$ 64,263	\$ 63,888
Add:			
Amortization	40,372	38,276	37,149
Interest expense	6,673	7,784	6,979
Income taxes	27,910	28,013	25,701
EBITDA	\$ 137,838	\$ 138,336	\$ 133,717

For EBITDA information by business segment, see Note 4 to the consolidated financial statements.

(2) Earnings From Operations (EBIT) is not a recognized measure under IFRS. Management believes that EBIT is a useful measure as it provides investors with an indication of the performance of the consolidated operations and/or business segments, prior to interest expense and income taxes. Investors should be cautioned however, that EBIT should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBIT may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to EBIT is provided below:

Reconciliation of Net Earnings to EBIT

(\$ in thousands)	2014	2013	2012
Net earnings	\$ 62,883	\$ 64,263	\$ 63,888
Add:			
Interest expense	6,673	7,784	6,979
Income taxes	27,910	28,013	25,701
Earnings from operations (EBIT)	\$ 97,466	\$ 100,060	\$ 96,568

For earnings from operations (EBIT) information by business segment, see Note 4 to the consolidated financial statements.

(3) Return on Net Assets (RONA) is not a recognized measure under IFRS. Management believes that RONA is a useful measure to evaluate the financial return on the net assets used in the business. RONA is calculated as earnings from operations (EBIT) for the year divided by average monthly net assets. The following table reconciles net assets used in the RONA calculation to IFRS measures reported in the audited consolidated financial statements as at January 31 for the following fiscal years:

(\$ in millions)	2014	2013	2012
Total assets	\$ 724.3	\$ 670.5	\$ 651.4
Less: Total liabilities	(395.0)	(348.1)	(355.1)
Add: Total long-term debt	201.4	182.9	163.4
Net Assets Employed	\$ 530.7	\$ 505.3	\$ 459.7

(4) Return on Average Equity (ROE) is not a recognized measure under IFRS. Management believes that ROE is a useful measure to evaluate the financial return on the amount invested by shareholders. ROE is calculated by dividing net earnings for the year by average monthly total shareholders' equity. There is no directly comparable IFRS measure for return on equity.

GLOSSARY OF TERMS

Basic earnings per share Net earnings available to shareholders divided by the weighted-average number of shares outstanding during the period.

Basis point A unit of measure that is equal to 1/100th of one percent.

CGAAP (Canadian generally accepted accounting principles) The consolidated financial statements for the fiscal years 2009 and prior were prepared in accordance with Canadian generally accepted accounting principles as issued by the Canadian Institute of Chartered Accountants.

Compound Annual Growth Rate ("CAGR") The compound annual growth rate is the year-over-year percentage growth rate over a given period of time.

Control label or Private label A brand or related trademark that is owned by the Company for use in connection with its own products and services.

Debt loss An expense resulting from the estimated loss on potentially uncollectible accounts receivable.

Debt covenants Restrictions written into banking facilities and senior notes and loan agreements that prohibit the Company from taking actions that may negatively impact the interests of the lenders.

Debt-to-equity ratio Provides information on the proportion of debt and equity the Company is using to finance its operations and is calculated as total debt divided by shareholders' equity.

Diluted earnings per share The amount of net earnings for the period available to shareholders divided by the weighted-average number of shares outstanding during the period including the impact of all potential dilutive outstanding shares at the end of the period.

Earnings from operations ("EBIT") Net earnings before interest and income taxes provides an indication of the Company's performance prior to interest expense and income taxes. See Non-GAAP Financial Measures section.

EBIT margin EBIT divided by sales.

Fair value The amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Gross profit Sales less cost of goods sold and inventory shrinkage.

Gross profit rate Gross profit divided by sales.

Hedge A risk management technique used to manage interest rate, foreign currency exchange or other exposures arising from business transactions.

Interest coverage Net earnings before interest and income taxes divided by interest expense.

IFRS (International Financial Reporting Standards) Effective for the 2011 fiscal year, the consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative financial information for the year ended January 31, 2011 ("2010") previously reported in the consolidated financial statements prepared in accordance with CGAAP has been restated in accordance with the accounting policies and financial statement presentation adopted under IFRS.

Return on equity ("ROE") Net earnings divided by average shareholders' equity. See Non-GAAP Financial Measures section.

Return on net assets ("RONA") Net earnings before interest and income taxes divided by average net assets employed (total assets less accounts payable and accrued liabilities, income taxes payable, defined benefit plan obligations, deferred tax liabilities, and other long-term liabilities). See Non-GAAP Financial Measures section.

Same store sales Retail food and general merchandise sales from stores that have been open more than 52 weeks in the periods being compared, excluding the impact of foreign exchange.

EBITDA Net earnings before interest, income taxes, depreciation and amortization provides an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. See Non-GAAP Financial Measures section.

EBITDA margin EBITDA divided by sales.

Working capital Total current assets less total current liabilities.

Year The fiscal year ends on January 31. The 2014 year which ended January 31, 2015 had 365 days of operations. The 2013 year which ended January 31, 2014 had 365 days of operations. The 2012 year which ended January 31, 2013 had 366 days of operations as a result of February 29th. The 2011 year which ended January 31, 2012 had 365 days of operations. The 2010 year which ended January 31, 2011 had 365 days of operations.

Eleven-Year Financial Summary

Fiscal Year ⁽¹⁾		IFRS (2)		IFRS (2)	IFRS (2)		IFRS (2)		IFRS (2)		
(\$ in thousands)		2014		2013	2012		2011		2010		2009
Consolidated Statements of Earnings		2014		2013	2012		2011		2010		2007
Sales - Canadian Operations	\$1	,042,168	\$ 1	,022,985	\$1,043,050	\$ 1	,028,396	\$	978,662	\$	921,621
Sales - International Operations	•	582,232		520,140	470,596		466,740	,	469,442	•	522,745
Sales - Total	1	,624,400	1	,543,125	1,513,646	1	,495,136	1	1,448,104	1	,444,366
EBITDA ⁽³⁾ - Canadian Operations		100,896		111,225	106,510		97,998		98,781		96,599
EBITDA ⁽³⁾ - International Operations		36,942		27,111	27,207		27,883		26,983		33,675
EBITDA(3) - Total Operations		137,838		138,336	133,717		125,881		125,764		130,274
Amortization - Canadian Operations		30,302		29,258	29,155		28,745		27,511		26,727
Amortization - International Operations		10,070		9,018	7,994		7,827		7,981		8,423
Amortization - Total		40,372		38,276	37,149		36,572		35,492		35,150
Interest		6,673		7,784	6,979		6,026		6,077		5,470
Income tax provision		27,910		28,013	25,701		25,322		14,539		7,841
Net earnings		62,883		64,263	63,888		57,961		69,656		81,813
Cash flow from operating activities		116,038		80,036	128,992		115,469		114,564		107,973
Dividends/distributions paid during the year		56,180		54,229	50,320		50,797		68,700		67,245
Capital and intangible asset expenditures		52,329		43,207	51,133		46,376		37,814		45,294
Net change in cash		6,776		(16,322)	11,691		(4,247)		3,953		1,548
Consolidated Balance Sheets				(10/022)	11/031		(1,217)		0,700		1,0 10
Current assets	Ś	315,840	\$	299,071	\$ 303,896	\$	295,836	\$	284,789	\$	285,843
Property and equipment	*	311,692	Ÿ	286,875	274,027	Ψ	270,370	~	259,583	Ÿ	258,928
Other assets, intangible assets and goodwill		68,693		64,969	60,567		53,289		55,199		73,177
Deferred tax assets		28,074		19,597	12,904		7,422		17,017		5,852
Current liabilities		150,229		209,738	190,184		128,002		185,377		171,946
Long-term debt and other liabilities		244,787		138,334	164,960		215,206		144,736		161,928
Equity		329,283		322,440	296,250		283,709		286,475		289,926
Consolidated Dollar Per Share/Unit (\$) ⁽⁵⁾		327,203		322,110	270,230		203,703		200,173		200,020
Net earnings - basic	\$	1.30	\$	1.33	\$ 1.32	\$	1.20	\$	1.45	\$	1.71
Net earnings - diluted	*	1.29	7	1.32	1.32	7	1.19	~	1.13	7	1.69
EBITDA ^{(3),(4)}		2.85		2.86	2.76		2.60		2.61		2.73
Cash flow from operating activities ⁽⁴⁾		2.40		1.65	2.67		2.39		2.38		2.26
Dividends/distributions paid during the year ⁽⁴⁾		1.16		1.12	1.04		1.05		1.42		1.39
Equity at end of fiscal year (basic shares/units outstanding at end of year)		6.80		6.66	6.12		5.86		5.92		6.04
Market price at January 31		26.56		25.42	23.14		19.40		21.09		17.94
Statistics at Year End				23.12	23.11		15.10		21.05		17.51
Number of stores - Canadian		178		178	177		183		184		180
Number of stores - International		47		48	46		46		46		46
		1,422							1,445		1,423
				1380	1 3 7 5		1 4nn				653
Selling square feet (000's) end of year - Canadian Stores		-		1,386 696	1,375 660		1,466 655		654		
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores	Ś	676	\$	696	660	\$	655	\$	654 682	Ś	654
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian	\$ \$	676 742	\$	696 741	660 \$ 734	\$	655 702	\$	682	\$	654 752
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International	\$ \$	676 742 849	\$	696 741 767	660 \$ 734 \$ 716	\$	655 702 713	\$	682 718	\$	752
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations		676 742 849 4,921		696 741 767 4,839	660 \$ 734 \$ 716 4,768		655 702 713 5,233		682 718 5,301		752 5,358
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations		676 742 849 4,921 1,726		696 741 767 4,839 1,853	660 \$ 734 \$ 716 4,768 1,568		655 702 713 5,233 1,668		682 718 5,301 1,601		752 5,358 1,545
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's)		676 742 849 4,921 1,726 48,432		696 741 767 4,839 1,853 48,413	\$ 734 \$ 716 4,768 1,568 48,384		655 702 713 5,233 1,668 48,378		682 718 5,301 1,601 48,180		752 5,358 1,545 47,799
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's) Shares/Units outstanding at end of fiscal year (000's)		676 742 849 4,921 1,726 48,432 48,497		696 741 767 4,839 1,853 48,413 48,426	\$ 734 \$ 716 4,768 1,568 48,384 48,389		655 702 713 5,233 1,668 48,378 48,378		682 718 5,301 1,601 48,180 48,378		752 5,358 1,545 47,799 48,017
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's)		676 742 849 4,921 1,726 48,432		696 741 767 4,839 1,853 48,413	\$ 734 \$ 716 4,768 1,568 48,384		655 702 713 5,233 1,668 48,378		682 718 5,301 1,601 48,180		752 5,358 1,545 47,799
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's) Shares/Units outstanding at end of fiscal year (000's) Shares/Units traded during the year (000's)		676 742 849 4,921 1,726 48,432 48,497		696 741 767 4,839 1,853 48,413 48,426	\$ 734 \$ 716 4,768 1,568 48,384 48,389		655 702 713 5,233 1,668 48,378 48,378		682 718 5,301 1,601 48,180 48,378		752 5,358 1,545 47,799 48,017
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's) Shares/Units outstanding at end of fiscal year (000's) Shares/Units traded during the year (000's)		676 742 849 4,921 1,726 48,432 48,497 24,080		696 741 767 4,839 1,853 48,413 48,426 12,731	\$ 734 \$ 716 4,768 1,568 48,384 48,389 13,539		655 702 713 5,233 1,668 48,378 48,378 22,418		682 718 5,301 1,601 48,180 48,378 24,814		752 5,358 1,545 47,799 48,017 20,080
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's) Shares/Units outstanding at end of fiscal year (000's) Shares/Units traded during the year (000's) Financial Ratios EBITDA ⁽³⁾ (%)		676 742 849 4,921 1,726 48,432 48,497 24,080		696 741 767 4,839 1,853 48,413 48,426 12,731	\$ 734 \$ 716 4,768 1,568 48,384 48,389 13,539		655 702 713 5,233 1,668 48,378 48,378 22,418		682 718 5,301 1,601 48,180 48,378 24,814		752 5,358 1,545 47,799 48,017 20,080
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's) Shares/Units outstanding at end of fiscal year (000's) Shares/Units traded during the year (000's) Financial Ratios EBITDA ⁽³⁾ (%) Earnings from operations ⁽³⁾ (EBIT) (%)		676 742 849 4,921 1,726 48,432 48,497 24,080 8.5 6.0		696 741 767 4,839 1,853 48,413 48,426 12,731 9.0 6.5	\$ 734 \$ 716 4,768 1,568 48,384 48,389 13,539		655 702 713 5,233 1,668 48,378 48,378 22,418		682 718 5,301 1,601 48,180 48,378 24,814 8.7 6.2		752 5,358 1,545 47,799 48,017 20,080 9.0 6.6
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's) Shares/Units outstanding at end of fiscal year (000's) Shares/Units traded during the year (000's) Financial Ratios EBITDA ⁽³⁾ (%) Earnings from operations ⁽³⁾ (EBIT) (%) Total return on net assets ⁽³⁾ (%)		676 742 849 4,921 1,726 48,432 48,497 24,080 8.5 6.0 18.4		696 741 767 4,839 1,853 48,413 48,426 12,731 9.0 6.5 20.0	\$ 734 \$ 716 4,768 1,568 48,384 48,389 13,539 8.8 6.4 20.6		655 702 713 5,233 1,668 48,378 48,378 22,418 8.4 6.0 18.5		682 718 5,301 1,601 48,180 48,378 24,814 8.7 6.2 17.9		752 5,358 1,545 47,799 48,017 20,080 9.0 6.6 18.7
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's) Shares/Units outstanding at end of fiscal year (000's) Shares/Units traded during the year (000's) Financial Ratios EBITDA ⁽³⁾ (%) Earnings from operations ⁽³⁾ (EBIT) (%) Total return on net assets ⁽³⁾ (%) Return on average equity ⁽³⁾ (%)		676 742 849 4,921 1,726 48,432 48,497 24,080 8.5 6.0 18.4 19.3		696 741 767 4,839 1,853 48,413 48,426 12,731 9.0 6.5 20.0 21.0	\$ 734 \$ 716 4,768 1,568 48,384 48,389 13,539 8.8 6.4 20.6 22.1		655 702 713 5,233 1,668 48,378 48,378 22,418 8.4 6.0 18.5 20.1		682 718 5,301 1,601 48,180 48,378 24,814 8.7 6.2 17.9 24.1		752 5,358 1,545 47,799 48,017 20,080 9,0 6,6 18,7 29,3
Selling square feet (000's) end of year - Canadian Stores Selling square feet (000's) end of year - International Stores Sales per average selling square foot - Canadian Sales per average selling square foot - International Number of employees - Canadian Operations Number of employees - International Operations Average shares/units outstanding (000's) Shares/Units outstanding at end of fiscal year (000's) Shares/Units traded during the year (000's) Financial Ratios EBITDA ⁽³⁾ (%) Earnings from operations ⁽³⁾ (EBIT) (%) Total return on net assets ⁽³⁾ (%) Return on average equity ⁽³⁾ (%) Debt-to-equity		676 742 849 4,921 1,726 48,432 48,497 24,080 8.5 6.0 18.4 19.3 .61:1		696 741 767 4,839 1,853 48,413 48,426 12,731 9.0 6.5 20.0 21.0 .57:1	\$ 734 \$ 716 4,768 1,568 48,384 48,389 13,539 8.8 6.4 20.6 22.1 .55:1		655 702 713 5,233 1,668 48,378 48,378 22,418 8.4 6.0 18.5 20.1 .62:1		682 718 5,301 1,601 48,180 48,378 24,814 8.7 6.2 17.9 24.1 .67:1		752 5,358 1,545 47,799 48,017 20,080 9.0 6.6 18.7 29.3 .72:1

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

⁽²⁾ The financial results for 2014 to 2011 are reported in accordance with IFRS. 2010 data has been restated to IFRS. All other financial information is presented in accordance with CGAAP and has not been restated to IFRS. Certain 2012 figures have been restated as required by the implementation of Employee Benefits IAS 19r. See 2013 Annual Report for further information.

Fiscal Year ⁽¹⁾							
(\$ in thousands)	2004	2005	 2006	2007		2008	
Consolidated Statements of Earnings							
Sales - Canadian Operations	629,822	\$ 689,340	\$ 769,633	\$ 852,773	\$	899,263	\$
Sales - International Operations	158,871	160,313	175,291	211,717		493,371	
Sales - Total	788,693	849,653	944,924	,064,490	1	,392,634	1
EBITDA ⁽³⁾ - Canadian Operations	62,629	70,561	81,730	87,410		90,606	
EBITDA(3) - International Operations	13,977	14,941	14,639	19,147		31,651	
EBITDA ⁽³⁾ - Total Operations	76,606	85,502	 96,369	106,557		122,257	
Amortization - Canadian Operations	19,977	21,103	22,248	22,634		24,501	
Amortization - International Operations	3,928	3,910	3,924	4,316		7,553	
Amortization - Total	23,905	25,013	26,172	26,950		32,054	
Interest	5,761	6,120	6,844	7,465		8,307	
Income tax provision	9,675	11,479	9,693	9,151		6,518	
Net earnings	37,265	42,890	 53,660	62,991		75,378	
Cash flow from operating activities	48,925	75,289	81,486	93,591		90,178	
Dividends/distributions paid during the year	29,105	30,317	38,702	54,667		67,730	
Capital and intangible asset expenditures	22,323	24,833	30,136	44,409		46,118	
Net change in cash	(5,189)	10,450	 212	(368)		3,998	
Consolidated Balance Sheets							
Current assets	208,188	\$ 218,742	226,164	\$ 254,061	\$	285,088	\$
Property and equipment	186,104	182,108	189,599	223,397		248,856	
Other assets, intangible assets and goodwill	12,253	17,306	19,690	50,492		68,632	
Deferred tax assets	7,932	5,693	6,416	1,720		6,597	
Current liabilities	88,284	95,467	122,783	134,899		172,216	
Long-term debt and other liabilities	89,908	85,809	67,056	138,470		162,547	
Equity	236,285	242,573	 252,030	256,301		274,410	
Consolidated Dollar Per Share/Unit (\$) ⁽⁵⁾							
Net earnings - basic	0.78	\$ 0.90	\$ 1.13	\$ 1.32	\$	1.58	\$
Net earnings - diluted	0.77	0.89	1.12	1.31		1.56	
EBITDA ^{(3),(4)}	1.60	1.79	2.03	2.24		2.56	
Cash flow from operating activities ⁽⁴⁾	1.02	1.58	1.71	1.96		1.89	
Dividends/distributions paid during the year ⁽⁴⁾	0.60	0.63	0.80	1.13		1.40	
Equity at end of fiscal year (basic shares/units outstanding at end of year)	4.95	5.11	5.29	5.37		5.75	
Market price at January 31	10.22	12.50	 16.41	18.42		16.14	
Statistics at Year End							
Number of stores - Canadian	159	164	168	176		178	
Number of stores - International	25	27	32	44		43	
Selling square feet (000's) end of year - Canadian Stores	1,093	1,157	1,226	1,368		1,396	
Selling square feet (000's) end of year - International Stores	255	272	311	639		617	
Sales per average selling square foot - Canadian	573	\$ 613	\$ 646	\$ 657	\$	651	\$
Sales per average selling square foot - International	624	\$ 608	\$ 601	\$ 410	\$	723	\$
Number of employees - Canadian Operations	4,830	5,175	5,833	5,359		5,408	
Number of employees - International Operations	692	732	806	1,502		1,339	
Average shares/units outstanding (000's)	47,754	47,694	47,561	47,649		47,718	
Shares/Units outstanding at end of fiscal year (000's)	47,700	47,463	47,625	47,701		47,722	
Shares/Units traded during the year (000's)	7,393	6,956	 13,167	17,330		16,402	
Financial Ratios							
EBITDA ⁽³⁾ (%)	9.7	10.1	10.2	10.0		8.8	
Earnings from operations (3) (EBIT) (%)	6.7	7.1	7.4	7.5		6.5	
Total return on net assets ⁽³⁾ (%)	14.8	16.6	19.7	21.0		19.8	
Return on average equity ⁽³⁾ (%)	16.2	18.0	21.7	24.9		28.6	
Debt-to-equity	.51:1	.46:1	.43:1	.62:1		.78:1	
Dividends/distributions as % of cash flow from operating activities	59.5	40.3	47.5	58.4		75.1	
Inventory turnover (times)	4.2	4.6	 5.1	5.3		5.8	

⁽³⁾ See Non-GAAP financial measures on page 27.

⁽⁴⁾ Based on average basic shares/units outstanding.

⁽⁵⁾ Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The comparative information refers to units of the Fund. On September 20, 2006 the units were split on a three-for-one basis. All per unit information has been restated to reflect the three-for-one split except trading volume.

Management's Responsibility for Financial Statements

The management of The North West Company Inc. is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements and all other information in the annual report. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain amounts that are based on the best estimates and judgment by management.

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

Ultimate responsibility for financial reporting to shareholders rests with the Board of Directors. The Audit Committee of the Board of Directors, consisting of independent Directors, meets periodically with management and with the internal and external auditors to review the audit results, internal controls and accounting policies. Internal and external auditors have unlimited access to the Audit Committee. The Audit Committee meets separately with management and the external auditors to review the financial statements and other contents of the annual report and recommend approval by the Board of Directors. The Audit Committee also recommends the independent auditor for appointment by the shareholders.

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

Edward S. Kennedy PRESIDENT & CEO

THE NORTH WEST COMPANYINC.

Idwar Kenner

John D. Kina CHIEF FINANCIAL OFFICER THE NORTH WEST COMPANYING.

April 9, 2015

Independent Auditor's Report



To the Shareholders of The North West Company Inc.:

We have audited the accompanying consolidated financial statements of The North West Company Inc. and its subsidiaries, which comprise the consolidated balance sheets as at January 31, 2015 and January 31, 2014 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The North West Company Inc. and its subsidiaries as at January 31, 2015 and January 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Pricewaterhouse Coopers LLP

CHARTERED ACCOUNTANTS WINNIPEG, CANADA

April 9, 2015

Consolidated Balance Sheets

(\$ in thousands)	January 31, 2015			31, 2014
CURRENT ASSETS				
Cash	\$	29,129	\$	22,353
Accounts receivable (Note 5)		72,506		70,527
Inventories (Note 6)		204,812		198,856
Prepaid expenses		9,393		7,335
		315,840		299,071
NON-CURRENT ASSETS				
Property and equipment (Note 7)		311,692		286,875
Goodwill (Note 8)		33,653		29,424
Intangible assets (Note 8)		22,485		21,514
Deferred tax assets (Note 9)		28,074		19,597
Other assets (Note 10)		12,555		14,031
		408,459		371,441
TOTAL ASSETS	\$	724,299	\$	670,512
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$	142,788	\$	128,999
Current portion of long-term debt (Note 11)		6,271		77,800
Income tax payable		1,170		2,939
		150,229		209,738
NON-CURRENT LIABILITIES				
Long-term debt (Note 11)		195,125		105,062
Defined benefit plan obligation (Note 12)		36,556		18,417
Deferred tax liabilities (Note 9)		2,392		2,012
Other long-term liabilities		10,714		12,843
		244,787		138,334
TOTAL LIABILITIES		395,016		348,072
SHAREHOLDERS' EQUITY				
Share capital (Note 15)		167,460		166,069
Contributed surplus		2,831		3,528
Retained earnings		140,527		145,762
Accumulated other comprehensive income	,	18,465		7,081
TOTAL EQUITY		329,283		322,440
TOTAL LIABILITIES & EQUITY	\$	724,299	\$	670,512

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors

"Eric L. Stefanson, FCA"

"H. Sanford Riley"

DIRECTOR

DIRECTOR

Consolidated Statements of Earnings

	Ye	ear Ended	Ye	ear Ended
(\$ in thousands, except per share amounts)	January	31, 2015	January	31, 2014
SALES	\$	1,624,400	\$	1,543,125
Cost of sales	(1,160,182)	(1,088,071)
Gross profit		464,218		455,054
Selling, operating and administrative expenses (Notes 16, 17)		(366,752)	,	(354,994)
Earnings from operations		97,466		100,060
Interest expense (Note 18)		(6,673)		(7,784)
Earnings before income taxes		90,793		92,276
Income taxes (Note 9)		(27,910)	,	(28,013)
NET EARNINGS FOR THE YEAR	\$	62,883	\$	64,263
NET FADNINGS DED CHADE (Note 20)				
NET EARNINGS PER SHARE (Note 20) Basic	\$	1.30	\$	1.33
Diluted	\$	1.29	\$	1.32
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic		48,432		48,413
Diluted		48,709		48,657

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(\$ in thousands)	Ye January	Year Ended January 31, 2014		
NET EARNINGS FOR THE YEAR	\$	62,883	\$	64,263
Other comprehensive income/(expense), net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries		11,384		7,898
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans (Note 12)		(11,968)		7,804
Remeasurements of defined benefit plan of equity investee		30		(300)
Total other comprehensive income, net of tax		(554)		15,402
COMPREHENSIVE INCOME FOR THE YEAR	\$	62,329	\$	79,665

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(\$ in thousands)	Share Capital	tributed Surplus	Retained Earnings	AOCI ⁽¹⁾	Total
Balance at January 31, 2014	\$ 166,069	\$ 3,528	\$ 145,762	\$ 7,081	\$ 322,440
Net earnings for the year	_	_	62,883	_	62,883
Other comprehensive income (Note 12)	_	_	(11,968)	11,384	(584)
Other comprehensive income of equity investee			30		30
Comprehensive income	_	_	50,945	11,384	62,329
Equity settled share-based payments	_	373	_	_	373
Dividends (Note 19)	_	_	(56,180)	_	(56,180)
Issuance of common shares (Note 15)	1,391	(1,070)			321
	1,391	(697)	(56,180)	_	(55,486)
Balance at January 31, 2015	\$167,460	\$ 2,831	\$140,527	\$ 18,465	\$329,283
				,	
Balance at January 31, 2013	\$ 165,358	\$ 3,485	\$ 128,224	\$ (817)	\$ 296,250
Net earnings for the year	_	_	64,263	_	64,263
Other comprehensive income (Note 12)	_	_	7,804	7,898	15,702
Other comprehensive income of equity investee	_		(300)		(300)
Comprehensive income	_	_	71,767	7,898	79,665
Equity settled share-based payments	_	623	_	_	623
Dividends (Note 19)	_	_	(54,229)	_	(54,229)
Issuance of common shares (Note 15)	711	(580)			131
	711	43	(54,229)		(53,475)
Balance at January 31, 2014	\$ 166,069	\$ 3,528	\$ 145,762	\$ 7,081	\$ 322,440

⁽¹⁾ Accumulated Other Comprehensive Income

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year Ended	Year Ended
(\$ in thousands)	January 31, 2015	January 31, 2014
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings for the year	\$ 62,883	\$ 64,263
Adjustments for:		
Amortization	40,372	38,276
Provision for income taxes (Note 9)	27,910	28,013
Interest expense (Note 18)	6,673	7,784
Equity settled share option expense (Note 13)	373	623
Taxes paid	(32,881)	(51,995)
(Gain)/Loss on disposal of property and equipment	(294)	164
	105,036	87,128
Change in non-cash working capital	9,225	(10,446)
Change in other non-cash items	1,777	3,354
Cash from operating activities	116,038	80,036
Investing activities		
Purchase of property and equipment (Note 7)	(49,101)	(39,596)
Intangible asset additions (Note 8)	(3,228)	(3,611)
Proceeds from disposal of property and equipment	2,017	821
Cash used in investing activities	(50,312)	(42,386)
Financing activities		
Increase in long-term debt (Note 11)	78,572	6,895
Repayments of long-term debt (Note 11)	(75,950)	_
Dividends (Note 19)	(56,180)	(54,229)
Interest paid	(5,713)	(6,769)
Issuance of common shares	321	131
Cash used in financing activities	(58,950)	(53,972)
NET CHANGE IN CASH	6,776	(16,322)
Cash, beginning of year	22,353	38,675
CASH, END OF YEAR	\$ 29,129	\$ 22,353

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
JANUARY 31, 2015 AND 2014

1. ORGANIZATION

The North West Company Inc. (NWC or the Company) is a corporation amalgamated under the Canada Business Corporations Act (CBCA) and governed by the laws of Canada. The Company, through its subsidiaries, is a leading retailer of food and everyday products and services. The address of its registered office is 77 Main Street, Winnipeg, Manitoba.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on April 9, 2015.

2. BASIS OF PREPARATION

- (A) Statement of Compliance These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).
- (B) Basis of Measurement The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for the following which are measured at fair value:
 - Derivative financial instruments (Note 14)
 - Financial instruments designated at fair value (Note 14)
 - Liabilities for share-based payment plans (Note 13)
 - Defined benefit pension plan (Note 12)
 - Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to these financial statements.

(C) Functional and Presentation Currency The presentation currency of the consolidated financial statements is Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise stated, and has been rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied to all years presented in these consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

(A) Basis of Consolidation Subsidiaries are entities controlled, either directly or indirectly, by the Company. Control is established when the Company has rights to an entity's variable returns, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases. The Company assesses control on an ongoing basis.

A joint arrangement can take the form of a joint operation or a joint venture. Joint ventures are those entities over which the Company has joint control of the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Company's 50% interest in the jointly controlled entity Transport Nanuk Inc. has been classified as a joint venture. Its results are included in the consolidated statements of earnings using the equity method of accounting. The consolidated financial statements include the Company's share of both earnings and other comprehensive income from the date that significant influence or joint control commences until the date that it ceases. Joint ventures are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Company's share of net assets of the entity, less any impairment in value.

All significant inter-company amounts and transactions have been eliminated.

(B) Business Combinations Business combinations are accounted for using the acquisition method of accounting. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange. Acquisition costs incurred are expensed and included in selling, operating and administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with International Accounting Standard (IAS) 39 either in net earnings or as a change to other comprehensive income (OCI). If the contingent consideration is classified as equity, it will not be remeasured and settlement is accounted for within equity.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. The excess of the cost of the acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of earnings.

- (C) Revenue Recognition Revenue on the sale of goods is recorded at the time the sale is made to the customer, being when the significant risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, and the amount of revenue can be measured reliably. Sales are presented net of tax, returns and discounts and are measured at the fair value of the consideration received or receivable from the customer for the products sold or services supplied. Service charges on customer account receivables are accrued each month on balances outstanding at each account's billing date.
- (D) Inventories Inventories are valued at the lower of cost and net realizable value. The cost of warehouse inventories is determined using the weighted-average cost method. The cost of retail inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories on a first-in, first-out basis. Cost includes the cost to purchase goods net of vendor allowances plus other costs incurred in bringing inventories to their present location and condition. Net realizable value is estimated based on the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices due to obsolescence, damage or seasonality.

Inventories are written down to net realizable value if net realizable value declines below carrying amount. 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.

- **(E) Vendor Rebates** Consideration received from vendors related to the purchase of merchandise is recorded on an accrual basis as a reduction in the cost of the vendor's products and reflected as a reduction of cost of sales and related inventory when it is probable they will be received and the amount can be reliably estimated.
- **(F) Property and Equipment** Property and equipment are stated at cost less accumulated amortization and any impairment losses. Cost includes any directly attributable costs, borrowing costs on qualifying construction projects, and the costs of dismantling and removing the items and restoring the site on which they are located. When major components of an item of property and equipment have different useful lives, they are accounted for as separate items. Amortization is calculated from the dates assets are available for use using the straight-line method to allocate the cost of assets less their residual values over their estimated useful lives as follows:

Buildings 3% - 8% Leasehold improvements 5% - 20% Fixtures and equipment 8% - 20% Computer equipment 12% - 33%

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Assets under construction and land are not amortized.

(G) Impairment

Impairment of non-financial assets Tangible assets and definite life intangible assets are reviewed at each balance sheet date to determine whether events or conditions indicate that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use, is estimated

in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For tangible and intangible assets excluding goodwill, the CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Goodwill and indefinite life intangible assets are not amortized but are subject to an impairment test annually and whenever indicators of impairment are detected. Goodwill is allocated to CGUs that are expected to benefit from the synergies of the related business combination and represents the lowest level within the Company at which goodwill is monitored for internal management purposes. The goodwill asset balance relates to the Company's acquired subsidiary, Cost-U-Less, and is allocated to the International Operations operating segment.

Any impairment charge is recognized in the consolidated statement of earnings in the period in which it occurs, to the extent that the carrying value exceeds its recoverable amount. Where an impairment loss other than an impairment loss on goodwill subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. Impairment charges on goodwill are not reversed.

Impairment of financial assets Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at their original effective interest rate.

All impairment losses are recognized in the consolidated statement of earnings. An impairment loss, except an impairment loss related to goodwill, is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(H) Leases Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are accounted for as operating leases. Assets leased under operating leases are not recorded on the consolidated balance sheets. Rental payments are recorded in selling, operating and administrative expenses in the consolidated statements of earnings. Lease incentives received are recognized as part of the total lease expense, over the term of the lease.

Leases in which the Company has substantially all of the risks and rewards of ownership are accounted for as finance leases. At commencement, finance leases are capitalized at the lower of the fair value of the leased property and the present value of minimum lease payments, and are recorded in property and equipment on the consolidated balance sheets. Finance lease liabilities are recorded in long-term debt and are reduced by the amount of the lease payment net of imputed interest (finance charges).

- (I) Borrowing Costs Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of the respective asset until it is ready for its intended use. Qualifying assets are those assets that necessarily take a substantial period of time to prepare for their intended use. Borrowing costs are capitalized based on the Company's weighted-average cost of borrowing. All other borrowing costs are expensed as incurred.
- (J) Goodwill Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. Goodwill is not amortized but is subject to an impairment test annually and whenever indicators of impairment are detected. Goodwill is carried at cost less accumulated impairment losses.
- (K) Intangible Assets Intangible assets with finite lives are carried at cost less accumulated amortization and any impairment loss. Amortization is recorded on a straight-line basis over the term of the estimated useful life of the asset as follows:

Software 3 – 7 years Non-compete agreements 3 – 5 years

Intangible assets with indefinite lives comprise the Cost-U-Less banner. This asset is not amortized but instead is tested for impairment annually or more frequently if indicators of impairment are identified.

(L) Share-based Payment Transactions

Equity settled plans Certain stock options settled in common shares are equity settled share-based payment plans. The fair value of these plans is determined using an option pricing model. The grant date fair values of this benefit is recognized as an employee expense over the vesting period, with corresponding increases in equity.

Cash settled plans Certain stock options, Restricted Share Units, Performance Share Units, Employee Share Purchase Plan and the Director Deferred Share Unit Plan are cash settled share-based payments. These plans are measured at fair value at each balance sheet date and a charge or recovery recognized through the consolidated statement of earnings over the vesting period. A corresponding adjustment is reflected in accounts payable and accrued liabilities or other long-term liabilities.

The value of the charges under both cash settled and equity settled plans are adjusted in the consolidated statement of earnings to reflect expected and actual levels of benefits vesting.

(M) Foreign Currency Translation The accounts of foreign operations have been translated into the presentation currency, Canadian dollars. Assets and liabilities are translated at the periodend exchange rate, and revenues and expenses at the average rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in foreign operations and the portion of the U.S. denominated borrowings designated as a hedge against this investment are recorded in equity as other comprehensive income. Foreign exchange gains or losses recorded in accumulated other comprehensive income (AOCI) are recognized in net earnings when there is a reduction in the net investment in foreign operations.

Items included in the financial statements of the Company and its subsidiaries are measured using the currency of the

primary economic environment in which the entity operates (functional currency). Transactions in foreign currencies are translated to the respective functional currencies at exchange rates approximating the rates in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date.

(N) Income Taxes Income tax expense includes taxes payable on current earnings and changes in deferred tax balances. Current income tax expense is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

The Company accounts for deferred income taxes using the liability method of tax allocation. Under the liability method, deferred income tax assets and liabilities are determined based on the temporary differences between the financial statement carrying values and tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be realized or settled. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects to settle the carrying amount of its assets and liabilities. A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset the amounts.

Income tax expense is recognized in the consolidated statement of earnings, except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case the related income tax expense is also recognized in other comprehensive income or in equity respectively.

(O) Employee Benefits The Company maintains either a defined benefit or defined contribution pension plan for the majority of its Canadian employees, and an employee savings plan for its U.S. employees. Other benefits include employee bonuses, employee share purchase plans and termination benefits.

Defined Benefit Pension Plan The actuarial determination of the defined benefit obligations for pension benefits uses the projected unit credit method prorated on services which incorporates management's best estimate of the discount rate, salary escalation, retirement rates, termination rates and retirement ages of employees. The discount rate used to value the defined benefit obligation is derived from a portfolio of high quality Corporate AA bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations. Bonds included in the curve are denominated in the currency in which the benefits will be paid that have terms to maturity approximating the terms of the related pension liability.

The amount recognized in the consolidated balance sheet at each reporting date represents the present value of the defined benefit obligation, and is reduced by the fair value of plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that

there is uncertainty regarding entitlement to the surplus, no asset is recorded. The Company's funding policy is in compliance with statutory regulations and amounts funded are deductible for income tax purposes.

The actuarially determined expense for current service is recognized annually in the consolidated statement of earnings. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in interest expense.

All actuarial remeasurements arising from defined benefit plans are recognized in full in the period in which they arise in the consolidated statement of other comprehensive income, and are immediately recognized in retained earnings. The effect of the asset ceiling is also recognized in other comprehensive income.

Defined Contribution Pension Plans The Company sponsors defined contribution pension plans for eligible employees where fixed contributions are paid into a registered plan. There is no obligation for the Company to pay any additional amount into these plans. Contributions to the defined contribution pension plans are expensed as incurred.

Short-term Benefits An undiscounted liability is recognized for the amount expected to be paid under short-term incentive plans or employee share purchase plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination Benefits Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If the effect is significant, benefits are discounted to present value.

- (P) Provisions A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
- (Q) Financial Instruments Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows and benefits related from the financial asset expire, or the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. On initial recognition, all financial instruments are classified into one of the following categories: fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments, available-for-sale, or other financial liabilities.

Financial instruments have been classified as follows:

- Cash is designated as loans and receivables
- Accounts receivable and financial assets included in other assets are classified as loans and receivables
- Long-term debt, accounts payable and accrued liabilities, and certain other liabilities are classified as other financial liabilities

Financial instruments are initially recognized at fair value plus transaction costs; subsequent measurement and recognition of changes in value depends on their initial classification. Financial

instruments classified as FVTPL are subsequently measured at fair value, with changes in fair value recorded in net earnings. Loans and receivables are subsequently carried at amortized cost less impairment losses. Interest revenue, consisting primarily of service charge income on customer accounts receivable, is included in sales in the consolidated statement of earnings. Other financial liabilities are subsequently held at amortized cost. Interest expense relating to long-term debt is recorded using the effective interest rate method and included in the consolidated statement of earnings as interest expense.

The Company is exposed to financial risks associated with movements in interest rates and exchange rates. The Company may use derivative financial instruments to hedge these exposures. Qualifying hedge relationships are classified as either fair value hedges, cash flow hedges or as a hedge of a net investment in foreign operations. Fair value hedges are those where the derivative financial instrument hedges a change in the fair value of the financial asset or liability due to movements in interest rates. The Company does not have any cash flow hedges. Net investment hedges use financial liabilities to counterbalance gains and losses arising on the retranslation of foreign operations.

To qualify for hedge accounting, the Company documents its risk management strategy, the relationship between the hedging instrument and the hedged item or transaction and the nature of the risks being hedged. The Company also documents the assessment of the effectiveness of the hedging relationship, to show that the hedge has been and will likely be highly effective on an ongoing basis.

To the extent that a fair value hedging relationship is effective, a gain or loss arising from the hedged item adjusts its carrying value and is reflected in earnings, offset by a change in fair value of the underlying derivative. Any changes in fair value of derivatives that do not qualify for hedge accounting are reported in earnings. Changes in fair value relating to interest rate swaps are included in interest expense.

The Company has designated a portion of the U.S. denominated senior notes as a hedge of its net investment in U.S. operations. To the extent that the hedging relationship is effective, the foreign exchange gains and losses arising from translation of this debt are included in other comprehensive income. These gains and losses are subsequently recognized in earnings when the hedged item affects earnings.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in other comprehensive income is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is transferred to the income statement for the period.

Embedded derivatives are components of hybrid instruments that include non-derivative host contracts. These are separated from their host contracts and recorded on the consolidated balance sheets at fair value when certain conditions are met. Changes in the fair value of embedded derivatives are recognized in earnings.

(R) Cash Cash comprises cash on hand and balances with banks.

- (S) Net Earnings Per Share Basic net earnings per share are calculated by dividing the net earnings by the weighted-average number of common shares outstanding during the period. Diluted net earnings per share is determined by adjusting net earnings and the weighted-average number of common shares outstanding for the effects of all potentially dilutive shares, which comprise shares issued under the Share Option Plan and Deferred Share Unit Plan.
- (T) Use of Estimates, Assumptions & Judgment The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies, the reported amounts of revenues and expenses during the reporting period and disclosure of contingent assets and liabilities in the consolidated financial statements and notes. Judgment has been used in the application of accounting policy and to determine if a transaction should be recognized or disclosed in these financial statements while estimates and assumptions have been used to measure balances recognized or disclosed.

Estimates, assumptions and judgments are based on management's historical experience, best knowledge of current events, conditions and actions that the Company may undertake in the future and other factors that management believes are reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Certain of these estimates require subjective or complex judgments by management about matters that are uncertain and changes in these estimates could materially impact the consolidated financial statements and notes. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

The areas that management believes involve a higher degree of judgment or complexity, or areas where the estimates and assumptions may have the most significant impact on the amounts recognized in the consolidated financial statements include the following:

- Allowance for doubtful accounts is estimated based on expected customer payment experience, and influenced by specific customer behavior and regional economic factors (Notes 5, 14)
- Inventories are remeasured based on the lower of cost and net realizable value (Note 6)
- Impairment of capital assets is influenced by judgment in determining indicators of impairment and estimates used to measure impairment losses, if any (Note 7)
- Goodwill and indefinite life intangible asset impairment is dependent on judgment used to identify indicators of impairment and estimates used to measure impairment losses, if any (Note 8)
- Income taxes have judgment applied to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions (Note 9)
- Defined benefit pension plan obligation and expense depends on assumptions used in the actuarial valuation (Note 12)
- (U) Share capital Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(V) New Standards Implemented The Company adopted the amendments to IFRS listed below effective February 1, 2014, as required by the IASB.

The Company adopted amendments to IAS 32, Financial Instruments: Presentation and IFRIC 21, Levies retrospectively effective February 1, 2014. IAS 32 clarified the requirements that permit offsetting certain financial instruments. IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms a levy liability is recognized only when the triggering event specified in the legislation occurs. Neither change had an impact on the Company's consolidated financial statements.

(W) Future Standards and Amendments A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2015, and have not been applied in preparing these consolidated financial statements

Financial Instruments The amended IFRS 9, Financial Instruments is a multi-phase project with the goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial assets and liabilities, hedge accounting and a single forward-looking expected loss impairment model. These changes are effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and are available for early adoption. The Company is currently assessing the potential impact of changes to this standard.

Revenue Recognition In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The new standard is effective for the Company's financial year ending January 31, 2018, will be applied retrospectively and is available for early adoption. The IFRS 15 standard contains a comprehensive model which specifies the criteria and timing for recognizing revenue, and also requires additional disclosures in the notes to the financial statements. The core principle of the standard is that revenue is recognized at an amount that reflects the consideration the Company is entitled to. The Company is currently assessing the potential impact this new standard will have on its consolidated financial statements.

Presentation of Financial Statements In December 2014 the IASB issued amendments to IAS 1, Presentation of Financial Statements. The amendments provide guidance on the application of judgment in the preparation of financial statements and disclosure and are effective for the Company's financial year ending January 31, 2017. The Company is currently assessing the potential impact of changes to this standard.

4. SEGMENTED INFORMATION

The Company is a retailer of food and everyday products and services in two geographical segments, Canada and International. The International segment consists of wholly owned subsidiaries operating in the continental United States, Caribbean and South Pacific. Financial information for these business segments is regularly reviewed by the Company's President and Chief Executive Officer to assess performance and make decisions about the allocation of resources.

The following key information is presented by geographic segment:

Consolidated	Statements	of	Earnings
Consolidated	Statements	u	Earminus

Year Ended	January 31	, 2015	January 31, 20		
Sales					
Canada	\$ 1,04	12,168	\$	1,022,985	
International	58	32,232		520,140	
Consolidated	\$ 1,62	24,400	\$	1,543,125	
Earnings before amorti	zation, interest and	income	taxes		
Canada		00,896	\$	111,225	
International	3	36,942		27,111	
Consolidated	\$ 13	37,838	\$	138,336	
Earnings from operatio	ns				
Canada	\$ 7	70,594	\$	81,967	
International		26,872		18,093	
Consolidated	\$ 9	97,466	\$	100,060	

	January 31, 2015	January 31, 20		
Assets		·		
Canada	\$ 455,032	\$	438,299	
International	269,267		232,213	
Consolidated	\$ 724,299	\$	670,512	

International total assets includes goodwill of \$33,653 (January 31, 2014 - \$29,424).

Supplemental information

Year Ended	January	31, 2015	January	31, 2014
	Canada	Int'l	Canada	Int'l
Expenditure on property and equipment	\$ 36,455	\$12,646	\$ 26,242	\$ 13,354
Amortization	\$ 30,302	\$10,070	\$ 29,258	\$ 9,018

5. ACCOUNTS RECEIVABLE

	January 31, 2015	January 21, 2014
	January 31, 2015	January 31, 2014
Current:		
Trade accounts receivable	\$ 72,167	\$ 71,763
Corporate and other accounts receivable	11,764	10,188
Less: allowance for doubtful accounts	(11,425)	(11,424)
	\$ 72,506	\$ 70,527
Non-current:		
Long-term receivable (Note 10)	\$ —	\$ 2,517
	\$ 72,506	\$ 73,044

The carrying values of current accounts receivable are a reasonable approximation of their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above (Note 14).

Movements in the allowance for doubtful accounts for customer and commercial accounts receivables are as follows:

	January	31, 2015	January 31, 2014				
Current:							
Balance, beginning of year	\$	(11,424)	\$	(14,042)			
Net charge		(6,120)		(7,858)			
Written off		6,119		10,476			
Balance, end of year	\$	(11,425)	\$	(11,424)			

6. INVENTORIES

Retail inventories are valued at the lower of cost and net realizable value. Valuing retail inventories requires the Company to use estimates related to: discount factors used to convert inventory to cost; future retail sales prices and reductions; and inventory losses during periods between the last physical count and the balance sheet date. Included in cost of sales for the year ended January 31, 2015, the Company recorded \$4,223 (January 31, 2014 - \$1,522) for the write-down of inventories as a result of net realizable value being lower than cost. The increase in the write-down of inventories is due to the clearance of discontinued under-performing general merchandise inventory in the northern Canada stores. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the year ended January 31, 2015 or 2014.

7. PROPERTY & EQUIPMENT

January 31, 2015	Land	Buildings	Le impro\	asehold /ements	Fixtures & equipment	omputer Juipment	struction process	Total
Cost								
Balance, beginning of year	\$ 15,692	\$ 350,924	\$	45,576	\$ 245,863	\$ 65,327	\$ 9,120	\$ 732,502
Additions	_	16,917		4,001	14,363	6,540	7,280	49,101
Disposals	(700)	(4,402)		(148)	(4,858)	(200)	_	(10,308)
Effect of movements in foreign exchange	1,049	13,622		2,416	10,338	1,484	59	28,968
Total January 31, 2015	\$ 16,041	\$ 377,061	\$	51,845	\$ 265,706	\$ 73,151	\$ 16,459	\$ 800,263
Accumulated amortization								
Balance, beginning of year	\$ _	\$ 191,439	\$	25,798	\$ 171,321	\$ 57,069	\$ _	\$ 445,627
Amortization expense	_	16,565		3,275	13,034	3,903	_	36,777
Disposals	_	(4,047)		(82)	(4,321)	(135)	_	(8,585)
Effect of movements in foreign exchange		5,627		1,305	6,583	1,237		14,752
Total January 31, 2015	\$ 	\$ 209,584	\$	30,296	\$ 186,617	\$ 62,074	\$ _	\$ 488,571
Net book value January 31, 2015	\$ 16,041	\$ 167,477	\$	21,549	\$ 79,089	\$ 11,077	\$ 16,459	\$ 311,692
January 31, 2014	Land	Buildings		asehold vements	Fixtures & equipment	omputer uipment	struction process	Total
Cost								
Balance, beginning of year	\$ 12,144	\$ 321,858	\$	38,659	\$ 223,727	\$ 63,311	\$ 19,245	\$ 678,944
Additions	2,852	20,719		5,999	16,330	4,354	(10,658)	39,596
Disposals	(5)	(695)		(558)	(787)	(3,324)	_	(5,369)
Effect of movements in foreign exchange	701	9,042		1,476	6,593	986	533	19,331
Total January 31, 2014	\$ 15,692	\$ 350,924	\$	45,576	\$ 245,863	\$ 65,327	\$ 9,120	\$ 732,502
Accumulated amortization								
Balance, beginning of year	\$ _	\$ 172,051	\$	22,099	\$ 155,024	\$ 55,743	\$ _	\$ 404,917
Amortization expense	_	16,142		2,909	12,633	3,757	_	35,441

The Company reviewed its property and equipment for indicators of impairment. No assets were identified as impaired.

\$ 15,692

(509)

3,755

\$ 191,439

\$ 159,485

(8)

798

25,798

\$ 19,778

(631)

4,295

\$ 171,321

\$ 74,542

(3,236)

57,069

8,258

805

(4,384)

9,653

\$ 445,627

\$ 286,875

9,120

Interest capitalized

Total January 31, 2014

Effect of movements in foreign exchange

Net book value January 31, 2014

Disposals

Interest attributable to the construction of qualifying assets was capitalized using an average rate of 3.66% and 3.68% for the years ended January 31, 2015 and 2014 respectively. Interest capitalized in additions amounted to \$274 (January 31, 2014 - \$192). Accumulated interest capitalized in the cost total above amounted to \$1,163 (January 31, 2014 - \$889).

8. GOODWILL & INTANGIBLE ASSETS

Goodwill

	January	31, 2015	January 31, 2014			
Balance, beginning of year	\$	29,424	\$	26,162		
Additions		_		291		
Effect of movements in foreign exchange		4,229		2,971		
Balance, end of year	\$	33,653	\$	29,424		

Goodwill Impairment Testing

The goodwill asset balance relates to the Company's acquired subsidiary, Cost-U-Less, and is allocated to the International Operations operating segment. The value of the goodwill was tested by means of comparing the recoverable amount of the operating segment to its carrying value. The recoverable amount is the greater of its value in use or its fair value less costs of disposal. The recoverable amount of this CGU was based on fair value less costs of disposal. A range of fair values was estimated by inferring enterprise values from the product of financial performance and comparable trading multiples. Values assigned to the key assumptions represent management's best

estimates and have been based on data from both external and internal sources. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. Key assumptions used in the estimation of enterprise value are set out below.

- Financial performance was measured with actual and budgeted earnings based on sales and expense growth specific to each store and the Company's administrative offices. Financial budgets and forecasts are approved by senior management and consider historical sales volume and price growth;
- The ratio of enterprise value to financial performance was determined using a range of market trading multiples from comparable companies;
- Costs to sell have been estimated as a fixed percentage of enterprise value. This is consistent with the approach of an independent market participant.

No impairment has been identified on goodwill, and management considers reasonably foreseeable changes in key assumptions are unlikely to produce a goodwill impairment.

Intangible assets

January 31, 2015	Softv	vare	Cost-U-Less	banner		Other	Total
Cost							
Balance, beginning of year	\$ 25	,218	\$	7,783	\$	7,987	\$ 40,988
Additions	3	,158		_		70	3,228
Write off of fully amortized assets		_		_		(731)	(731)
Effect of movements in foreign exchange	,	_		1,119		663	1,782
Total January 31, 2015	\$ 28	3,376	\$	8,902	\$	7,989	\$ 45,267
Accumulated Amortization							
Balance, beginning of year	\$ 14	,272	\$	_	\$	5,202	\$ 19,474
Amortization expense	2	,760		_		835	3,595
Write off of fully amortized assets		_		_		(731)	(731)
Effect of movements in foreign exchange		_		_	,	444	444
Total January 31, 2015	\$ 17	,032	\$	_	\$	5,750	\$ 22,782
Net book value January 31, 2015	\$ 11,	,344	\$	8,902	\$	2,239	\$ 22,485

Intangible assets

January 31, 2014	Software	Cost-U-Less b	anner	Other	Total
Cost					
Balance, beginning of year	\$ 24,552	\$	6,985	\$ 6,450	\$ 37,987
Additions	2,211		_	1,109	3,320
Write off of fully amortized assets	(1,545)		_	_	(1,545)
Effect of movements in foreign exchange			798	428	1,226
Total January 31, 2014	\$ 25,218	\$	7,783	\$ 7,987	\$ 40,988
Accumulated Amortization					
Balance, beginning of year	\$ 13,926	\$	_	\$ 3,925	\$ 17,851
Amortization expense	1,891		_	944	2,835
Write off of fully amortized assets	(1,545)		_	_	(1,545)
Effect of movements in foreign exchange			_	333	333
Total January 31, 2014	\$ 14,272	\$	_	\$ 5,202	\$ 19,474
Net book value January 31, 2014	\$ 10,946	\$	7,783	\$ 2,785	\$ 21,514

Work in process

As at January 31, 2015 the Company had incurred \$468 (January 31, 2014 - \$284) for intangible assets that were not yet available for use, and therefore not subject to amortization.

Intangible Asset Impairment Testing

The Company determines the fair value of the Cost-U-Less banner using the Relief from Royalty approach. This method requires management to make long-term assumptions about future sales, terminal growth rates, royalty rates and discount rates. Sales forecasts for the following financial year together with medium and terminal growth rates ranging from 2% to 5% are used to estimate future sales, to which a royalty rate of 0.5% is applied. The present value of this royalty stream is compared to the carrying value of the asset. No impairment has been identified on intangible assets and management considers reasonably foreseeable changes in key assumptions are unlikely to produce an intangible asset impairment.

9. INCOMETAXES

The following are the major components of income tax expense:

Year Ended	January 31, 2015	January 31, 2014
Current tax expense:		
Current tax on earnings for the year	\$ 31,998	\$ 35,493
Withholding taxes	263	69
Under (over) provision in prior years	(1,697)	223
	\$ 30,564	\$ 35,785
Deferred tax expense:		
Origination and reversal of temporary differences	\$ (4,572)	\$ (7,781)
Impact of change in tax rates	_	(9)
Under provision in prior years	1,918	18
	(2,654)	(7,772)
Income taxes	\$ 27,910	\$ 28,013

Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to earnings before taxes for the following reasons:

Year Ended	January 31, 2015 January 31, 2014		
Net earnings before income taxes	\$ 90,793	\$ 92,276	
Combined statutory income tax rate	29.1%	28.4%	
Expected income tax expense	\$ 26,421	\$ 26,206	
Increase (decrease) in income	taxes resulting from:	,	
Non-deductible expenses/ non-taxable income	\$ (141)	\$ (115)	
Unrecognized income tax losses	1,090	1,674	
Withholding taxes	263	69	
Impact of change in tax rates	_	(9)	
Over provision in prior years	221	241	
Other	56	(53)	
Provision for income taxes	\$ 27,910	\$ 28,013	
Income tax rate	30.7%	30.4%	

Deferred tax assets of \$4,800 arising from certain foreign income tax losses were not recognized on the consolidated balance sheet. The income tax losses expire from 2022 - 2024.

Deferred income tax charged (credited) to other comprehensive income during the year is as follows:

Year Ended	January 31	, 2015	January 3	1, 2014
Net investment hedge:				
Origination and reversal of temporary difference	\$	(185)	\$	(1,057)
Impact of change in tax rates		_		1
	\$	(185)	\$	(1,056)
Defined benefit plan actuarial loss:				
Origination and reversal of temporary difference	\$	(4,379)	\$	2,854
Impact of change in tax rates		_		(5)
		(4,379)		2,849
Investments:				
Origination and reversal of temporary difference	\$	5	\$	(47)
	\$	5	\$	(47)
	\$	(4,559)	\$	1,746

Income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

January 31, 2015	Februar	y 1, 2014	harged) d to net arnings	Taxes (c credited		Foreign ex differences reco	change ognized in OCI	January	31, 2015
Deferred tax assets:									
Goodwill & intangible assets	\$	456	\$ (250)	\$	_	\$	(81)	\$	125
Property & equipment		12,225	304		_		136		12,665
Inventory		1,886	779		_		182		2,847
Share-based compensation and long-term incentive plans		3,463	(652)		_		61		2,872
Defined benefit plan obligation		4,941	483		4,379		_		9,803
Accrued expenses not deductible for tax		4,590	(235)		_		446		4,801
Other		1,599	(231)		_		140		1,508
	\$	29,160	\$ 198	\$	4,379	\$	884	\$	34,621
Deferred tax liabilities:									
Net investment hedge	\$	(185)	\$ (34)	\$	185	\$	_	\$	(34)
Investment in jointly controlled entity		(1,100)	(164)		(5)		_		(1,269)
Deferred limited partnership earnings		(10,139)	2,569		_		_		(7,570)
Other		(151)	85		_				(66)
	\$	(11,575)	\$ 2,456	\$	180	\$	_	\$	(8,939)
	\$	17,585	\$ 2,654	\$	4,559	\$	884	\$	25,682

Recorded on the consolidated balance sheet as follows:

Year Ended	January 31, 2015	January 31, 2014
Deferred tax assets	\$ 28,074	\$ 19,597
Deferred tax liabilities	(2,392)	(2,012)
	\$ 25,682	\$ 17,585

January 31, 2014	Februar	y 1, 2013	harged) d to net earnings	Taxes (c credited		Foreign ex differences reco	change ognized in OCI	January	31, 2014
Deferred tax assets:						,			
Goodwill & intangible assets	\$	418	\$ 70	\$	_	\$	(32)	\$	456
Property & equipment		10,429	1,700		_		96		12,225
Inventory		1,614	154		_		118		1,886
Share-based compensation and long-term incentive plans		3,371	31		_		61		3,463
Defined benefit plan obligation		7,607	183		(2,849)		_		4,941
Accrued expenses not deductible for tax		4,174	78		_		338		4,590
Other		1,721	(222)		_		100		1,599
	\$	29,334	\$ 1,994	\$	(2,849)	\$	681	\$	29,160
Deferred tax liabilities:									
Net investment hedge	\$	(1,241)	\$ _	\$	1,056	\$	_	\$	(185)
Investment in jointly controlled entity		(1,149)	2		47		_		(1,100)
Deferred limited partnership earnings		(15,870)	5,731		_		_		(10,139)
Other		(196)	45		_				(151)
	\$	(18,456)	\$ 5,778	\$	1,103	\$		\$	(11,575)
	\$	10,878	\$ 7,772	\$	(1,746)	\$	681	\$	17,585

In assessing the recovery of deferred income tax assets, management considers whether it is probable that the deferred income tax assets will be realized. The recognition and measurement of the current and deferred tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations and in the assessment of the recoverability of deferred tax assets. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences are deductible.

Actual income taxes could vary from these estimates as a result of future events, including changes in income tax laws or the outcome of tax reviews by tax authorities and related appeals. To the extent the final outcome is different from the amounts initially recorded, such differences, which could be significant, will impact the tax provision in the period in which the outcome is determined.

No deferred tax has been recognized in respect of temporary differences associated with investments in subsidiaries where the Company is in a position to control the timing and reversal of the differences and it is probable that such differences will not reverse in the foreseeable future. The temporary differences associated with the Company's foreign subsidiaries are approximately \$73,285 at January 31, 2015 (January 31, 2014 – \$60,000).

10. OTHER ASSETS

	January 31, 2015	January 31, 2014
Investment in jointly controlled entity (Note 23)	\$ 9,482	\$ 8,223
Long-term receivable (Note 5)	_	2,517
Other	3,073	3,291
	\$ 12,555	\$ 14,031

11. LONG-TERM DEBT

	January 3	31, 2015	January 3	31, 2014
Current:				
Notes payable	\$	72	\$	148
Finance lease liabilities		55		76
Revolving loan facilities(1)		6,144		_
Senior notes ⁽⁴⁾		_		77,576
	\$	6,271	\$	77,800
Non-current				
Revolving loan facilities (1)	\$	_	\$	1,302
Revolving loan facilities (2)		27,977		40,028
Revolving loan facilities (3)		78,367		63,607
Senior notes (4)		88,779		_
Notes payable		_		62
Finance lease liabilities		2		63
	\$	195,125	\$	105,062
Total	\$	201,396	\$	182,862

- (1) This committed, revolving facility provides the Company with up to US\$30,000 for working capital requirements and general business purposes. This facility, which matures October 31, 2015, bears a floating rate of interest based on LIBOR plus a spread and is secured by a charge against certain accounts receivable and inventories of the International Operations. At January 31, 2015, the International Operations had drawn US\$4,831 (January 31, 2014 US\$1,171) on this facility.
- (2) The US\$52,000 committed, revolving loan facilities in the International Operations mature December 31, 2018 and bear interest at LIBOR plus a spread. These loan facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70,000 senior notes and the \$200,000 Canadian Operations loan facilities. At January 31, 2015, the Company had drawn US\$22,000 (January 31, 2014 US\$36,000) on these facilities.
- (3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to \$200,000 for working capital requirements and general business purposes. The facilities mature December 31, 2018 and are secured by certain assets of the Company and rank *pari passu* with the US\$70,000 senior notes and the US\$52,000 loan facilities in International Operations. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.
- (4) The Company refinanced the US\$70,000 senior notes that matured on June 15, 2014. The maturing senior notes had a fixed interest rate of 6.55% on US\$42,000 and a floating interest rate based on US LIBOR plus a spread on US\$28,000. The new US\$70,000 senior notes, which mature on June 16, 2021, have a fixed interest rate of 3.27% on US\$55,000 and a floating interest rate on US\$15,000 based on US LIBOR plus a spread. The new senior notes are secured by certain assets of the Company and rank *pari passu* with the \$200,000 Canadian Operations loan facilities and the US\$52,000 loan facilities in the International Operations.

12. POST-EMPLOYMENTBENEFITS

The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan, which incorporated legislated changes, administrative practice, and added a defined contribution provision (the "Amended Plan"). Under the Amended Plan, all members as of December 31, 2011 who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. The defined benefit pension previously earned by members transitioned to the defined contribution plan, will continue to accrue in accordance with the terms of the plan based on the member's current pensionable earnings. Members who met the qualifying threshold on January 1, 2011, elected between accruing a defined contribution benefit and continuing to accrue a defined benefit pension in accordance with the provisions of the Amended Plan.

The defined benefit pension plans are based on years of service and final average salary. The Company uses actuarial reports prepared by independent actuaries for accounting purposes as at January 31, 2015 and January 31, 2014. The accrued pension benefits and funding requirements were last determined by actuarial valuation as at December 31, 2013. The next actuarial valuation is required as at December 31, 2016. The Company also sponsors an employee savings plan covering all U.S. employees with at least six months of service. Under the terms of the plan, the Company is obligated to make a 50% matching contribution up to 6% of eligible compensation.

During the year ended January 31, 2015, the Company contributed \$2,132 to its defined benefit pension plans (January 31, 2014 - \$3,829). During the year ended January 31, 2015, the Company contributed \$2,562 to its defined contribution pension plans (January 31, 2014 - \$2,310). The current best estimate of the Company's funding obligation for the defined benefit pension plans for the year commencing February 1,2015 is \$3,165 of which approximately \$1,500 may be settled by the issuance of a letter of credit in accordance with pension legislation. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

Movement in plan assets and defined benefit obligation

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

	January	3	1, 2015	Janua	ary	31, 2014
Plan assets:						
Fair value, beginning of year	\$		75,427		\$	65,139
Accrued interest on assets			3,334			2,771
Benefits paid			(4,823)			(3,726)
Plan administration costs			(413)			(530)
Employer contributions			2,132			3,829
Employee contributions			14			33
Return on assets greater than discount rate			6,627			7,911
Fair value, end of year	\$		82,298		\$	75,427
Plan obligations:						
Defined benefit obligation, beginning of year	\$		(93,844)		\$	(93,570)
Current service costs			(2,730)			(2,812)
Employee contributions			(14)			(33)
Interest on plan liabilities			(4,115)			(3,897)
Benefits paid			4,823			3,726
Actuarial remeasurement due to:						
Plan experience			(2,688)			563
Financial assumptions			(19,324)			4,011
Mortality assumptions			(962)			(1,832)
Defined benefit obligation, end of year	\$	(1	18,854)		\$	(93,844)
Plan deficit	\$		(36,556)		\$	(18,417)

The defined benefit obligation exceeds the fair value of plan assets as noted in the table. The increase in the plan deficit is primarily due to a decrease in the discount rate used to measure plan liabilities, partially offset by an increase in plan assets due to asset returns.

Defined benefit obligation

The following actuarial assumptions were employed to measure the

	January 31, 2015	January 31, 2014
Discount rate on plan liabilities	3.50%	4.50%
Rate of compensation increase	4.00%	4.00%
Discount rate on plan expense	4.50%	4.25%
Inflation assumption	2.00%	2.00%

The assumptions used are the best estimates chosen from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The weighted average duration of the defined benefit obligation at the end of the reporting period is 18.8 years (January 31, 2014 - 17.3 years).

The average life expectancy in years of a member who reaches normal retirement age of 65 is as follows:

	January 31, 2015	January 31, 2014
Average life expectancies at	age 65 for current per	nsioners:
Male	21.1	20.5
Female	23.5	22.8
Average life expectancies at	age 65 for current me	mbers aged 45:
Male	22.2	20.7
Female	24.5	22.6

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. For the year ended January 31, 2015, mortality assumptions have been estimated at 106% of the base mortality rates in the CPM2014PNV table based on pension size and industry classification. Mortality assumptions in the prior year were based on 92% of the 1994 United Pensioners Mortality Table with projections using scale AA.

Sensitivity of key assumption

The following table outlines the sensitivity of a 1% change in the discount rate used to measure the defined benefit plan obligation and cost for the defined benefit pension plans. The table reflects the impact on both the current service and interest cost expense components.

The sensitivity analysis provided in the key assumption table is hypothetical and should be used with caution. The sensitivities have been calculated independently of any changes in other assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

		Defined benefit plan obligation	Benefit plan cost
Discount rate:	3.5%		
Impact of:	1% increase	\$ (19,324)	\$ (1,112)
	1% decrease	\$ 25,256	\$ 1,046

Plan assets

The major categories of plan assets as a percentage of total plan assets are listed below. The pension plans have no direct investment in the shares of the Company.

	January 31, 2015	January 31, 2014
Plan assets:		
Canadian equities (pooled)	42%	42%
Global equities (pooled)	21%	20%
Debt securities	37%	38%
Total	100%	100%

Governance and plan management

The Company's Pension Committees oversee the pension plans. These committees are responsible for assisting the Board of Directors to fulfill its governance responsibilities for the plans. The committees assist with plan administration, regulatory compliance, pension investment and monitoring responsibilities.

Plan assets are subject to the risk that changes in market prices, such as interest rates, foreign exchange and equity prices will affect their value. A Statement of Investment Policy and Procedures ("SIPP") guides the investing activity of the defined benefit pension plans to mitigate market risk. Assets are expected to achieve, over moving three to four-year periods, a return at least equal to a composite benchmark made up of passive investments in appropriate market indices. These indices are consistent with the policy allocation in the SIPP.

Periodically, an Asset-Liability Modeling study is done to update the policy allocation between liability hedging assets and return seeking assets. This is consistent with managing both the funded status of the defined benefit pension plans and the Company's long-term costs. It assists with adequately securing benefits and mitigating yearto-year fluctuations in the Company's cash contributions and pension expense. The defined benefit plans are subject to, and actively manage, the following specific market risks:

Interest rate risk: is managed by allocating a portion of plan investments to liability hedging assets, comprised of a passive universe bond fund.

Currency risk: is managed through asset allocation. A significant portion of plan assets are denominated in the same currency as plan obligations.

Equity price risk: The defined benefit pension plans are directly exposed to equity price risk on return seeking assets. Fair value or future cash flows will fluctuate due to changes in market prices because they may not be offset by changes in obligations. Investment management of plan assets is outsourced to independent managers.

Statement of earnings and comprehensive income

The following pension expenses have been charged to the consolidated statement of earnings:

	January 3	1, 2015	January 31, 2014		
Employee costs (Note 17)					
Defined benefit pension plan, current service costs included in post-employment benefits	\$	2,730	\$	2,812	
Plan administration costs		413		530	
Defined contribution pension plan		2,562		2,310	
Savings plan for U.S. employees		464		434	
	\$	6,169	\$	6,086	
Interest expense (Note 18)					
Accrued interest on assets	\$	(3,334)	\$	(2,771)	
Interest on plan liabilities		4,115		3,897	
	\$	781	\$	1,126	

The following amounts have been included in Other Comprehensive Income:

	January 31, 2015	January	31, 2014
Current Year:			
Return on assets greater than discount rate	\$ 6,627	\$	7,911
Actuarial remeasurement due to:			
Plan experience	(2,688))	563
Financial assumptions	(19,324))	4,011
Mortality assumptions	(962))	(1,832)
Taxes on actuarial remeasurement in OCI	4,379		(2,849)
Net actuarial remeasurement recognized in OCI	\$ (11,968)	\$	7,804
Cumulative gains/losses recogniz	ed in OCI:		
Cumulative gross actuarial remeasurement in OCI	\$ (26,940)	\$	(10,593)
Taxes on cumulative actuarial remeasurement in OCI	5,129		750
Total actuarial remeasurement recognized in OCI, net	\$ (21,811)	\$	(9,843)

The actual return on the plans assets is summarized as follows:

	January 31	1, 2015	January 3	31, 2014
Accrued interest on assets	\$	3,334	\$	2,771
Return on assets greater than discount rate		6,627		7,911
Actual return on plan assets	\$	9,961	\$	10,682

13. SHARE-BASED COMPENSATION

The Company offers the following share-based payment plans: Restricted Share Units (RSUs); Performance Share Units (PSUs); Share Options; Director Deferred Share Units (DSUs); and an Employee Share Purchase Plan. The purpose of these plans is to directly align the interests of the participants and the shareholders of the Company by providing compensation that is dependent on the performance of the Company's common shares.

The total expense relating to share-based payment plans for the year ended January 31, 2015 was \$5,948 (January 31, 2014 - \$8,934). The carrying amount of the Company's share-based compensation arrangements including RSU, PSU, share option and DSU plans are recorded on the consolidated balance sheets as follows:

	January 31, 2015	January 31, 2014
Accounts payable and accrued liabilities	\$ 9,526	\$ 7,688
Other long-term liabilities	4,485	6,593
Contributed surplus	1,262	1,959
Total	\$ 15,273	\$ 16,240

Restricted Share Units and Performance Share Units

The Company has granted Restricted Share Units and Performance Share Units to officers and senior management.

Each RSU entitles the participant to receive a cash payment equal to the market value of the number of notional shares granted at the end of the vesting period. This plan was discontinued in July 2011. All outstanding grants vested January 31, 2014. The RSU account for each participant includes the value of dividends from the Company as if reinvested in additional RSUs. RSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Company's shares at the grant date and subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period.

Each PSU entitles the participant to receive a cash payment equal to the market value of the number of notional units granted at the end of the vesting period based on the achievement of specific performance based criteria. The PSU account for each participant includes the value of dividends from the Company as if reinvested in additional PSUs. PSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Company's shares at the grant date and subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period factoring in the probability of the performance criteria being met during that period.

Compensation costs related to the RSUs and PSUs for the year ended January 31, 2015 are \$2,138 (January 31, 2014 - \$5,267).

Share Option Plan

The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Options are granted at fair market value based on the volume weighted-average closing price of the Company's shares for the five trading days preceding the grant date. Effective June 14, 2011, the Share Option Plan was amended and restated. The amendments afford the Board of Directors the discretion to award options giving the holder the choice, upon exercise, to either deduct a portion of all dividends declared after the grant date from the options exercise price or to exercise the option at the strike price specified at the grant date ("Declining Strike Price Options"). Options issued prior to June 14, 2011 and certain options issued subsequently are standard options ("Standard Options"). Each option is exercisable into one share of the Company at the price specified in the terms of the option. Declining Strike Price options allow the employee to acquire shares or receive a cash payment based on the excess of the fair market value of the Company's shares over the exercise price.

The fair value of the Declining Strike Price Options is remeasured at the reporting date and recognized both in net earnings and as a liability over the vesting period. The grant date fair value of the Standard Options is recognized in net earnings and contributed surplus over the

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9% of the Company's issued and outstanding shares at January 31, 2015. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over five years and are exercisable over a period of seven to ten years. The share option compensation cost recorded for the year ended January 31, 2015 is \$2,119 (January 31, 2014 - \$1,934).

The fair values for options issued during the year were calculated based on the following assumptions:

	2014	2013
Fair value of options granted	\$ 3.14 to 4.43	\$ 3.28 to 4.46
Exercise price	\$ 24.79	\$ 23.21
Dividend yield	4.6%	4.4%
Annual risk-free interest rate	1.1% to 1.6%	1.3% to 1.4%
Expected share price volatility	23.7%	26.0%

The assumptions used to measure options at the balance sheet dates were as follows:

	2014	2013
Dividend yield	4.4%	4.4%
Annual risk-free interest rate	0.4% to 0.6%	1.0% to 1.6%
Expected share price volatility	16.7% to 19.6%	19.2% to 22.2%

The expected dividend yield is estimated based on the quarterly dividend rate and the closing share price on the date the options are granted. The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options. The risk-free interest rate is estimated based on the Government of Canada bond yield for a term to maturity equal to the expected life of the options.

The following continuity schedules reconcile the movement in outstanding options during the year:

Number of options outstanding	Declining Strike Pri	ce Options	Standard Options		
	2014	2013	2014	2013	
Outstanding options, beginning of year	896,694	580,015	526,380	556,932	
Granted	355,795	316,679	36,631	67,580	
Exercised	(21,028)	_	(169,035)	(98,132)	
Forfeited or cancelled	(23,466)		(2,100)	_	
Outstanding options, end of year	1,207,995	896,694	391,876	526,380	
Exercisable at end of year	73,675	_	121,333	132,301	

The weighted average share price on the dates options were exercised during 2014 was \$26.24 (January 31, 2014 - \$24.25).

Weighted-average exercise price	Declining Strike	Price Options	Standard Op	tions
	2014	2013	2014	2013
Outstanding options, beginning of year	\$ 21.86	\$ 21.12	\$ 19.10	\$ 18.07
Granted	24.79	23.21	24.79	23.21
Exercised	20.62	_	16.22	16.09
Forfeited or cancelled	22.88		19.11	
Outstanding options, end of year	\$ 22.79	\$ 21.86	\$ 20.88	\$ 19.10
Exercisable at end of year	\$ 18.73	\$ —	\$ 18.92	\$ 17.11

Summary of options outstanding by grant year

	Outstanding						Exercisa	able
Grant year		Range of exercise price	Number outstanding	Weighted-average remaining contractual years	Weighted-a exercis		Options exercisable	Weighted-average exercise price
2009	\$	15.25-15.25	12,867	4.4	\$	15.25	12,867	\$ 15.25
2010	\$	19.11-19.74	157,834	5.2	\$	19.13	92,136	19.13
2011	\$	18.73-20.62	312,929	3.5	\$	19.05	90,005	19.07
2012	\$	20.41-21.86	352,971	4.2	\$	20.67	NIL	N/A
2013	\$	22.39-23.21	377,647	5.2	\$	22.54	NIL	N/A
2014	\$	24.30-24.79	385,623	6.2	\$	24.64	NIL	N/A

Director Deferred Share Unit Plan

The Director DSU Plan is available for independent Directors. Participants are credited with deferred share units based on the portion of fees each participant elects to allocate to the DSU. Each deferred share unit entitles the holder to receive a share of the Company. The DSUs are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Director. A participant may elect at the time of exercise of any DSUs, subject to the consent of the Company, to have the Company pay an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date, in consideration for the surrender by the participant to the Company the right to receive shares from exercising the DSUs.

Compensation expense is measured based on the fair market value at each reporting date. The DSU plan compensation recorded for the year ended January 31, 2015 is an expense of \$930 (January 31, 2014 – \$1,031). The total number of deferred share units outstanding at January 31, 2015 is 171,443 (January 31, 2014 – 145,806). There were 3,500 DSUs exercised during the year ended January 31, 2015 (January 31, 2014 – 20,629). These DSUs were settled in cash.

Employee Share Purchase Plan

The Employee Share Purchase Plan provides participants with the opportunity to acquire an ownership interest in the Company. The Company contributes an additional 33% of the amount invested, subject to a maximum annual contribution of 2% of the participants' base salary. The plan is administered by a trustee who uses the funds received to purchase shares on the TSX on behalf of the participating employees. These shares are registered in the name of the plan trustee on behalf of the participants. The Company's contribution to the plan is recorded as compensation expense. The employee share purchase plan compensation recorded for the year ended January 31, 2015 is \$761 (January 31, 2014 – \$702).

14. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks including liquidity risk, credit risk and market risk. The Company's overall risk management program focuses on minimizing potential adverse effects on financial performance.

The Company manages funding and financial risk management with oversight provided by the Board of Directors, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company's operational cash flow is reasonably stable and predictable. This reflects the business risk profile of the majority of markets in which the Company operates and its product mix. Cash flow forecasts are produced regularly and reviewed against the Company's debt portfolio capacity and maturity profile to assist management in identifying future liquidity requirements. The Company's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the business requirements.

The Company is financed by a combination of cash flow from operating activities, bank advances, senior notes and committed revolving loan facilities. At January 31, 2015, the Company had undrawn committed revolving loan facilities available of \$180,495 (January 31, 2014 - \$172,463) which mature in 2015, 2018 and 2021 (Note 11).

The following table analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows or an estimation in respect of floating interest rate liabilities, and as a result may not agree to the amounts disclosed on the balance sheet.

	2015	2016	2017	2018	2019	2020+	Total
Accounts payable and accrued liabilities	\$ 142,788	_	_	_	_	_	\$ 142,788
Current portion of long-term debt (Note 11)	6,404	_	_	_	_	_	6,404
Long-term debt (Note 11)	4,202	4,200	4,200	110,361	2,000	91,768	216,731
Operating leases (Note 21)	25,851	22,661	19,923	15,974	12,223	54,716	151,348
Total	\$ 179,245	26,861	24,123	126,335	14,223	146,484	\$ 517,271

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposures to credit risk arise primarily from holdings of cash and its customer and commercial accounts receivable.

To mitigate credit risk, the Company maintains deposits with financial institutions with minimum equivalent short-term credit ratings of "A1." The maximum exposure on cash is equal to the carrying amount of these instruments.

It is the Company's policy that customers who wish to trade on credit terms are subject to credit verification procedures including policies governing: credit approvals, limits, collections and fraud prevention. The Company provides impairment allowances for potentially uncollectible accounts receivable. Receivable balances are comprised of approximately forty thousand customers spread across a wide geography, substantially reducing the Company's risk through the diversity of its customer base. Further, receivables are centrally monitored on an ongoing basis with the result that the Company's exposure to individual customers is generally not significant. The maximum exposure net of impairment allowances is \$72,506 (January 31, 2014 - \$73,044). The Company does not have any individual customers greater than 10% of total accounts receivable. At January 31, 2015, the Company's gross maximum credit risk exposure is \$83,931 (January 31, 2014 - \$84,468). Of this amount, \$13,223 (January 31, 2014 - \$13,706) is more than 60 days past due.

The Company has recorded an allowance against its maximum exposure to credit risk of \$11,425 (January 31, 2014 - \$11,424) which is based on historical payment records for similar financial assets.

As at January 31, 2015 and 2014, the Company has no significant credit risk related to derivative financial instruments.

Market risk

(a) Currency risk The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from U.S. dollar denominated borrowings and net investments in foreign operations.

Management is responsible for managing foreign currency risk. The Company's U.S. dollar net investment is exposed to foreign currency translation risk. A significant portion of this risk has been hedged with U.S. dollar denominated borrowings.

In respect of recognized foreign currency assets and liabilities, the Company has limited exposure. Procurement and related borrowing activity are generally conducted in currencies matching cash flows generated by underlying operations, providing an economic hedge without sophisticated treasury management. Short-term imbalances in foreign currency holdings are rectified by buying or selling at spot rates when necessary.

Management considers a 10% variation in the Canadian dollar relative to the U.S. dollar reasonably possible. Considering all major exposures to the U.S. dollar as described above, a 10% appreciation of the Canadian dollar against the U.S. dollar in the year-end rate would cause net income to decrease by approximately \$100. A 10% depreciation of the Canadian dollar against the U.S. dollar year-end rate would cause net income to increase by approximately \$100.

(b) Interest rate risk Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by monitoring its blend of fixed and floating interest rates, and may modify this blend using interest rate swaps. The goal of management is to manage the trade-off between obtaining the most beneficial effective rates of interest, while minimizing the impact of interest rate volatility on earnings.

Management considers a 100 basis point change in interest rates reasonably possible. Considering all major exposures to interest rates as described above, a 100 basis point increase in the risk-free rate would cause net income to decrease by approximately \$922. A 100 basis point decrease would cause net income to increase by approximately \$922.

(c) Accounting classifications and fair value estimation The following table comprises the carrying amounts of the Company's financial instruments. Financial instruments are either carried at amortized cost using the effective interest rate method or fair value.

The Company uses a three-level hierarchy to categorize financial instruments carried at fair value as follows:

- Level 1 Fair values measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 Fair values measured using directly or indirectly observable inputs, other than those included in Level 1
- Level 3 Fair values measured using inputs that are not based on observable market data

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.

January 31, 2015	'	Assets (Liabilitie: amortized		Assets (Liabilities) carried at fair value
	Maturity	Carrying amount	Fair value	Carrying amount
Cash	Short-term	\$ 29,129	\$ 29,129	\$ —
Accounts receivable	Short-term	72,506	72,506	_
Other financial assets	Long-term	1,321	1,321	_
Accounts payable and accrued liabilities	Short-term	(142,788)	(142,788)	_
Current portion of long-term debt	Short-term	(6,271)	(6,271)	_
Long-term debt	Long-term	(195,125)	(197,654)	_

January 31, 2014		Assets (Liabilitie amortized		Assets (Liabilities) carried at fair value
	Maturity	Carrying amount	Fair value	Carrying amount
Cash	Short-term	\$ 22,353	\$ 22,353	\$ —
Accounts receivable	Short-term	70,527	70,527	_
Other financial assets	Long-term	3,761	3,761	_
Accounts payable and accrued liabilities	Short-term	(128,999)	(128,999)	_
Financial derivative instruments ⁽¹⁾	Long-term	_	_	302
Current portion of long-term debt ⁽¹⁾	Short-term	(78,102)	(77,994)	_
Long-term debt	Long-term	(105,062)	(105,062)	

(1) These items total \$77,800 which comprise the carrying amount of debt presented as current (Note 11).

The methods and assumptions used in estimating the fair value of the Company's financial instruments are as follows:

- The fair value of short-term financial instruments approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- 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.
- The derivative financial instruments have been measured using a generally accepted valuation technique. The pricing model incorporates current market measures for interest rates, credit spreads, volatility levels and other market-based pricing factors.

A portion of the senior notes that matured June 15, 2014 were in an effective fair value hedging relationship. These notes and associated derivative financial instruments were classified as Level 2, as their values were primarily derived from observable interest rates. There would have been no significant effect on net income if one or more of the assumptions used to fair value these instruments were changed to other reasonably possible alternatives. No financial instruments have been classified as Level 1 or Level 3.

Financial derivative instruments

The Company held interest rate swaps with a notional value of US \$28,000 (January 31, 2014 - US\$28,000) to hedge a portion of the fixed rate senior notes that matured in June 2014. Under the terms of the swaps, the Company received fixed interest and paid floating rate interest at a fixed spread above three-month LIBOR. These interest rate swaps matured June 15, 2014 and were not renewed.

Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate total return to shareholders while maintaining a capital structure that provides the flexibility to take advantage of the growth opportunities of the business, maintain existing assets, meet obligations and financial covenants and enhance shareholder value. The capital structure of the Company consists of bank advances, long-term debt and shareholders' equity. The Company manages capital to optimize efficiency through an appropriate balance of debt and equity. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue additional shares, borrow additional funds, adjust the amount of dividends paid or refinance debt at different terms and conditions.

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

(a) Debt-to-equity ratio At January 31, 2015, the debt-to-equity ratio was 0.61 compared to 0.57 last year. The debt-to-equity ratio is within the Company's objectives. The debt-to-equity ratio is calculated as follows:

	January	, 31, 2015	January	31, 2014
Current portion of long-term debt	\$	6,271	\$	77,800
Long-term debt		195,125		105,062
Total debt	\$	201,396	\$	182,862
Total equity	\$	329,283	\$	322,440
Debt-to-equity ratio		0.61		0.57

(b) Financial covenants As a result of borrowing agreements entered into by the Company, there are certain financial covenants that must be maintained. Financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. Compliance with financial covenants is reported quarterly to the Board of Directors. During the years ended January 31, 2015 and 2014, the Company is in compliance with all financial covenants. Other than the requirements imposed by these borrowing agreements and solvency tests imposed by the CBCA, the Company is not subject to any externally imposed capital requirements.

Capital management objectives are reviewed on an annual basis. The capital management objectives were substantially unchanged for the year ended January 31, 2015.

15. SHARE CAPITAL

Authorized - The Company has an unlimited number of shares.

	Shares	Cons	ideration
Balance at January 31, 2014	48,425,787	\$	166,069
Issued under option plans (Note 13)	71,412	\$	1,391
Balance at January 31, 2015	48,497,199	\$	167,460

16. EXPENSES BY NATURE

Year Ended	January 31, 2015	January 31, 2014
Employee costs (Note 17)	\$ 229,405	\$ 222,952
Amortization	40,372	38,276
Operating lease rentals	26,581	24,698

17. EMPLOYEE COSTS

Year Ended	January 31, 2015	January 31, 2014
Wages, salaries and benefits including bonus	\$ 217,288	\$ 207,932
Post-employment benefits (Note 12	6,169	6,086
Share-based compensation (Note 13)	5,948	8,934
Included in the above are the foll- management compensation:	owing amounts in r	espect of key
Wages, salaries and benefits including bonus	\$ 3,479	\$ 3,308
Post-employment benefit expense	999	978
Share-based compensation	3,466	5,245

Key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management personnel are comprised of the Board of Directors, Chief Executive Officer, and the four senior officers.

18. INTEREST EXPENSE

Year Ended	January 31, 2015	January 31, 2014
Interest on long-term debt	\$ 6,143	\$ 7,181
Fair value movement of derivative financial instruments in effective fair value hedging relationships	173	(3)
Net interest on defined benefit plan obligation	781	1,126
Interest income	(150)	(328)
Less: interest capitalized	(274)	(192)
Interest expense	\$ 6,673	\$ 7,784

19. DIVIDENDS

The following is a summary of the dividends recorded in retained earnings and paid in cash:

Year Ended	January 31, 2015	January 31, 2014
Dividends recorded in retained earnings and paid in cash	\$ 56,180	\$ 54,229
Dividends per share	\$ 1.16	\$ 1.12

The payment of dividends on the Company's common shares is subject to the approval of the Board of Directors and is based upon, among other factors, the financial performance of the Company, its current and anticipated future business needs, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. Dividends are recognized as a liability in the consolidated financial statements in the year in which the dividends are approved by the Board of Directors.

On March 12, 2015, the Board of Directors declared a dividend of \$0.29 per common share to be paid on April 15, 2015 to shareholders of record as of the close of business on March 31, 2015.

20. NET EARNINGS PER SHARE

Basic net earnings per share is calculated based on the weighted-average shares outstanding during the year. The diluted net earnings per share takes into account the dilutive effect of all potential ordinary shares. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

(\$ and shares in thousands, except earnings per share)

Year Ended	January 31, 2015	January 31, 2014
Diluted earnings per share calculation:		
Net earnings for the year (numerator for diluted earnings per share)	\$ 62,883	\$ 64,263
Weighted-average shares outstanding (denominator for basic earnings per share)	48,432	48,413
Dilutive effect of share-based compensation	277	244
Denominator for diluted earnings per share	48,709	48,657
Basic earnings per share	\$ 1.30	\$ 1.33
Diluted earnings per share	\$ 1.29	\$ 1.32

21. OPERATING LEASE COMMITMENTS

The Company leases various retail stores, offices, warehouses and equipment under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payments are as follows:

Year Ended	January 31, 2	2015	January 31, 2	014
Teal Ended	Land and buildings	Land and buildings	Other leases	
Due within 1 year	\$ 25,142	\$ 708	\$ 24,514	\$ 750
Within 2 to 5 years inclusive	70,156	626	68,082	774
After 5 years	54,716	_	56,148	_

22. COMMITMENTS, CONTINGENCIES AND **GUARANTEES**

Commitments

In 2002, the Company signed a 30-year Master Franchise Agreement with Giant Tiger Stores Limited, based in Ottawa, Ontario which grants the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing distribution services to the stores. As at January 31, 2015, the Company has opened 32 Giant Tiger stores.

As a result of store closures during the year ended January 31, 2013, the Company has fallen below the minimum number of stores required to maintain its exclusive right to open Giant Tiger stores in western Canada. The loss of exclusivity does not constitute an event of default under the Company's master franchise rights and will not prevent the Company from continuing to operate its existing stores or open new stores.

Contingencies

In the ordinary course of business, the Company is subject to audits by taxation authorities. While the Company believes that its filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the taxation authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

The Company is involved in various legal matters arising in the normal course of business. The occurrence of the confirming future events is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees

The Company has provided the following significant guarantees to third parties:

The Company has entered into indemnification agreements with its current and former directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased director and officer liability insurance. No amount has been recorded in the financial statements with respect to these indemnification agreements.

In the normal course of operations, the Company provides in demnification agreements to counterparties for various events such as intellectual property right infringement, loss or damages to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. No amount has been recorded in the financial statements with respect to these indemnification agreements.

23. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The Company's principal operating subsidiaries are set out below:

Proportion of voting rights held by:

	Activity	Country of Organization	Company	Subsidiary
NWC GP Inc.	General Partner	Canada	100%	
North West Company Holdings Inc.	Holding Company	Canada	100%	
The North West Company LP	Retailing	Canada	100%	(less one unit)
NWC (U.S.) Holdings Inc.	Holding Company	United States		100%
The North West Company (International) Inc.	Retailing	United States		100%
The North West Finance Company Cooperatie U.A.	Finance Company	Netherlands	99%	1%

The investment in jointly controlled entities comprises a 50% interest in a Canadian Arctic shipping company, Transport Nanuk Inc. At January 31, 2015, the Company's share of the net assets of its jointly controlled entity amount to \$9,244 (January 31, 2014 - \$7,985), comprised assets of \$10,462 (January 31, 2014 - \$9,096) and liabilities of \$1,218 (January 31, 2014 - \$1,111). During the year ended January 31, 2015 the Company purchased freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries of \$7,462 (January 31, 2014 - \$6,783). The contract terms are based on market rates for these types of services on similar arm's length transactions.

Shareholder Information

Fiscal Year Quarter Ended	Share Price High	Share Price Low	Share Price Close	Volume	EPS ¹
2014	\$26.74	\$21.93	\$26.56	24,079,962	\$1.29
April 30, 2014	26.24	23.55	24.24	4,342,208	0.26
July 31, 2014	25.82	23.23	24.00	5,492,597	0.35
October 31, 2014	25.27	21.93	23.30	7,712,485	0.37
January 31, 2015	26.74	22.54	26.56	6,532,672	0.31
2013	\$29.00	\$22.34	\$25.42	17,622,920	\$1.32
April 30, 2013	25.50	22.35	25.42	4,618,033	0.27
July 31, 2013	26.45	22.79	23.84	4,994,964	0.37
October 31, 2013	26.81	22.34	25.93	4,567,237	0.36
January 31, 2014	29.00	24.87	25.42	3,442,686	0.32
2012	\$23.88	\$19.34	\$23.14	17,830,631	\$1.32
April 30, 2012	22.54	19.34	22.24	6,126,392	0.27
July 31, 2012	22.47	20.20	21.57	4,508,403	0.37
October 31, 2012	23.62	21.01	23.40	2,938,198	0.36
January 31, 2013	23.88	21.56	23.14	4,257,638	0.32

¹ Net earnings per share are on a diluted basis. Certain prior year figures have been restated as required by IAS 19r - See Note 3 to the 2013 Consolidated Financial Statements.

Total Return Performance (% at January 31)

This chart illustrates the relative performance of shares/units of The North West Company Inc. and its predecessor, North West Company Fund, over the past five years. Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The index incorporates the reinvestment of dividends and income distributions.





The North West Company Inc. **Anticipated Dividend Dates***

Record Date: March 31, 2015 Payment Date: April 15, 2015

Record Date: June 30, 2015 Payment Date: July 15, 2015

Record Date: September 30, 2015 Payment Date: October 15, 2015

Record Date: December 31, 2015 Payment Date: January 15, 2016

*Dividends are subject to approval by the Board of Directors

The 2015 Annual General and Special Meeting of Shareholders of The North West Company Inc. will be held on Wednesday, June 10, 2015 at 11:30 a.m. in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba

Transfer Agent and Registrar

CST Trust Company 2001 University Street Suite 1600 Montreal, QC

Toll-free: 1 800 387 0825 www.canstockta.com

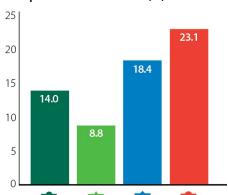
Stock Exchange Listing The Toronto Stock Exchange

Stock Symbol NWC ISIN #: CA6632781093 CUSIP #: 663278109

Number of shares issued and outstanding at January 31, 2015: 48,497,199

PricewaterhouseCoopers LLP

Compound Annual Growth (%)



Corporate Governance

Complete disclosure of The North West Company Inc's. corporate governance is provided in the Company's Management Information Circular, which is available on the Canadian Securities Administrators' website at www.northwest.ca.

EXECUTIVES	EXECUTIVES	BOARD OF DIRECTORS
Edward S. Kennedy	Debbie A. Gillis	H. Sanford Riley
President and Chief Executive Officer	Vice-President, Information Services	Chairman
Christie Frazier-Coleman	Paulina Hiebert	Frank J. Coleman 1,2
Executive Vice-President and	Vice-President, Legal and	
Chief Merchandising Officer	Corporate Secretary	Wendy F. Evans ^{1, 3}
Craig T. Gilpin	Matt D. Johnson	Stewart Glendinning 2,3
Executive Vice-President and	Vice-President, Fresh/Food Service	
Chief Operating Officer	Procurement and Marketing	Edward S. Kennedy
John D. King	Laurie J. Kaminsky	Robert J. Kennedy 1,3
Executive Vice-President and	Vice-President, NWC Health Products	
Chief Financial Officer	and Services	Annalisa King ^{2, 3}
Daniel G. McConnell	Scott A. McKay	Violet (Vi) A. M. Konkle ^{2,3}
Executive Vice-President and	Vice-President, General Merchandise	
Chief Development Officer	Procurement and Marketing	Gary Merasty ^{1,3}
Denise S. Allen	Walter E. Pickett	Eric L. Stefanson, FCA 1,2
Interim Vice-President Logistics	Vice-President and General Manager,	
and Distribution (Canadian Operations)	Alaska Commercial Company	
Michael T. Beaulieu	Christine D. Reimer	BOARD COMMITTEES
Vice-President, NWC Services	Vice-President, Canadian Sales	1 Governance & Nominating
	and Operations	2 Audit
101.00		3 Human Resources, Compensation, and
J. Robert Cain	Glenn R. Revet	Pension
Vice-President, Logistics and Distribution	Vice-President, Sales and Operations,	
(International Operations)	Giant Tiger	For additional copies of this report or for
David M. Chatyrbok	James W. Walker	general information about the Company,
Vice-President, Grocery, Procurement	Vice-President and General Manager,	contact the Corporate Secretary:
and Marketing	Wholesale Operations (International	contact the corporate secretary.
and mannering	Operations)	The North West Company Inc.
		Gibraltar House, 77 Main Street
Leanne G. Flewitt	Rex A. Wilhelm	Winnipeg, Manitoba Canada R3C 2R1
Vice-President, Merchandise	Vice-Chairman, NWCI	T 204 934 1756 F 204 934 1317
Performance Services	(International Operations)	board@northwest.ca
		Company Website: www.northwest.ca
Craig A. Foster		



Vice-President, Human Resources



Nor'Westers are associated with the vision, perseverance, and enterprising spirit of the original North West Company and Canada's early fur trade. We trace our roots to 1668, and the establishment of one of North America's early trading posts at Waskaganish on James Bay. Today, we continue to embrace this pioneering culture as true "frontier merchants."

Gibraltar House, 77 Main Street Winnipeg, Manitoba Canada R3C 2R1 T 204 934 1756 F 204 934 1317 Toll -free 1 800 563 0002 investorrelations@northwest.ca www.northwest.ca