THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended January 31, 2014

2013 FOURTH QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the fourth quarter ended January 31, 2014. Sales increased 4.2% to $402.9 million compared to the fourth quarter last year as new store sales and same store sales growth in both the Canadian and International Operations more than offset the impact of store closures in the Canadian Operations in the fourth quarter of 2012. Excluding the foreign exchange impact, sales increased 1.7% and were up 1.9%[1] on a same store basis.

Fourth quarter net earnings increased 2.2% to $15.9 million and diluted earnings per share were flat to last year at $0.32 per share.

The Board of Directors has approved a quarterly dividend of $0.29 per share, an increase of $0.01 or 3.6% per share, to shareholders of record on March 31, 2014.

On behalf of the Board of Directors:

H. Sanford Riley
Chairman

Edward S. Kennedy
President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the period ended January 31, 2014 and the audited annual consolidated financial statements and accompanying notes included in the 2012 Annual Report. In the first quarter of 2013, the Company implemented the revised IAS 19, Employee Benefits accounting standard which required the restatement of certain 2012 comparative numbers. Further information on the impact of new accounting standards is provided in the Accounting Standards Implemented in 2013 section of this report or Note 3 in the Company's 2013 fourth quarter unaudited interim period condensed consolidated financial statements.

CONSOLIDATED RESULTS

Quarter

Fourth quarter consolidated sales increased 4.2% to $402.9 million compared to $386.6 million in the fourth quarter last year. Same store sales growth in food and general merchandise and new store sales in our International Operations more than offset the sales impact of the store closures in the Canadian Operations in the fourth quarter of 2012. Excluding the foreign exchange impact, sales increased 1.7% and were up 1.9%[1] on a same store basis. Food sales[1] increased 1.8% and were up 1.3% on a same store basis and general merchandise sales[1] increased 1.5% and were up 4.1% on a same store basis.

The table below shows the fourth quarter sales blend for the past two years:

	2013	2012
Food	**74.3%**	74.0%
General merchandise	**22.1%**	22.4%
Other*	**3.6%**	3.6%

* Other sales includes fuel, fur and financial service charge revenues

(1) Excluding foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

Earnings from Operations[2] increased 8.5% to $24.6 million compared to $22.7 million in the fourth quarter last year. Gross profit dollars increased 4.7% due to sales growth and a 15 basis point increase in gross profit rate on a consolidated basis. The gross profit rate improvement was largely due to lower markdowns in general merchandise resulting from better balanced seasonal assortments. Selling, operating and administrative expenses increased 3.8% compared to last year but were down 9 basis points as a percentage to sales. The increase in expenses is primarily due to expenses related to new stores in the International Operations and the impact of foreign exchange on the translation of U.S. denominated expenses. The impact of new store expenses was partially offset by lower employee medical insurance expenses in the International Operations and a decrease in debt loss expense in the Canadian Operations. Excluding the foreign exchange impact, earnings from operations increased 7.2% compared to last year.

Trading profit[2] or earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 7.7% to $34.4 million compared to $31.9 million last year with both the Canadian Operations and International Operations contributing to the increase. Excluding the foreign exchange impact, trading profit increased 6.3% compared to last year and as a percentage to sales was 8.6% compared to 8.3% last year.

Interest expense increased $0.7 million to $2.1 million compared to $1.4 million last year due to higher average debt in the quarter compared to last year, an increase in interest on defined benefit plan obligations and a decrease in capitalized interest. Further information on interest expense is provided in Note 10 to the 2013 fourth quarter unaudited interim period condensed consolidated financial statements.

Income tax expense increased $0.9 million to $6.7 million compared to $5.8 million last year due to an increase in earnings and a higher effective tax rate. The increase in the consolidated effective tax rate to 29.7% compared to 27.2% in the quarter last year is due to the variability of income earned across the various tax jurisdictions.

Net earnings increased 2.2% to $15.9 million and diluted earnings per share were flat to last year at $0.32 per share.

Year

Sales for the year increased 1.9% to $1.543 billion compared to $1.514 billion in 2012 as same store sales growth and new store sales in our International Operations more than offset the impact of store closures in the Canadian Operations in the fourth quarter of 2012. The positive impact of foreign exchange on the conversion of U.S. denominated sales was partially offset by the impact of one extra day of operations last year as a result of February 29. Excluding the foreign exchange impact, sales increased 0.6% and were up 1.8%[1] on a same store basis. Food sales[1] increased 1.3% and were up 1.9% on a same store basis. General merchandise sales[1] decreased 2.1% but were up 1.4% on a same store basis.

The table below shows the year-to-date sales blend for the past two years:

	2013	2012
Food	**77.4%**	76.8%
General merchandise	**18.9%**	19.5%
Other*	**3.7%**	3.7%

* Other sales includes fuel, fur and financial service charge revenues

(1) Excluding foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

Earnings from Operations increased 3.6% to $100.1 million compared to $96.6 million last year as sales growth and an 11 basis point gross profit rate improvement more than offset higher selling, operating and administrative expenses. Selling, operating and administrative expenses increased 2.0% compared to last year but were flat as a percentage to sales. The increase in selling, operating and administrative expenses is due in part to new stores, due diligence and strategic planning costs, and higher utility expenses in remote markets; partially offset by lower incentive plan costs, a non-comparable insurance gain and costs related to the stores closed last year. The impact of foreign exchange on the translation of U.S. denominated expenses was also a factor contributing to the increase in expenses. The insurance-related gain is the result of a final settlement of claims on stores destroyed by fire in 2011. A portion of the insurance gain was recognized last year due to a partial settlement of the claim. Excluding the foreign exchange impact, the due diligence and strategic planning costs, the insurance gains and the asset impairment provision related to the store closures last year, earnings from operations increased 1.7% to last year.

Trading profit[2] or earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 3.5% to $138.3 million compared to $133.7 million last year. Excluding the foreign exchange impact, the strategic planning costs, the insurance gains and the asset impairment provision, trading profit increased 1.9% and as a percentage to sales was 9.0% compared to 8.8% last year.

Income taxes increased to $28.0 million compared to $25.7 million last year as a result of earnings growth and a higher effective income tax rate. The increase in the consolidated effective tax rate to 30.4% compared to 28.7% last year is largely due to the variability of income earned across the various tax jurisdictions in the International Operations.

Net earnings increased 0.6% to $64.3 million and diluted earnings per share were flat to last year at $1.32 per share as earnings growth in the Canadian Operations was largely offset by lower earnings in the International Operations. The impact of foreign exchange on the translation of U.S. denominated earnings in our International Operations increased diluted earnings per share by $0.01 per share.

As a result of an increase in long-term interest rates and a higher than expected return on pension plan assets, the Company recorded net actuarial gains on defined benefit plan obligations of $7,804 in other comprehensive income, which was recognized immediately in retained earnings, compared to net actuarial losses on defined benefit plan obligations of $1,335 last year. Further information on employee future benefits is provided in Note 16 to the 2013 fourth quarter unaudited interim period condensed consolidated financial statements.

CANADIAN OPERATIONS

Canadian Operations sales for the quarter decreased 0.7% to $268.0 million compared to $269.9 million last year as the impact of the store closures in 2012 was partially offset by a 1.8% same store sales increase and new store sales. Food sales decreased 0.8% but were up 1.2% on a same store basis led by sales gains in northern markets. Food inflation was minimal in the quarter. General merchandise sales decreased 0.9% from last year but were up 3.5% on a same store basis led by strong sales growth in Giant Tiger banner locations.

Gross profit dollars increased 0.4% as the impact of store closures from last year was largely offset by gross profit rate improvements on a same store basis. Both food and general merchandise contributed to the gross profit rate improvement. The largest factors were lower markdowns, lower inventory shrinkage and favourable product mix changes in general merchandise categories within our Giant Tiger store locations, offsetting continued weakness in northern general merchandise spending levels. Selling, operating and administrative expenses decreased 0.3% but increased 9 basis points as a percentage to sales. The decrease in expenses is primarily due to the impact of the store closures in late December 2012 and lower debt loss partially offset by higher utility expenses in remote stores.

Canadian trading profit increased 2.6% to $28.3 million compared to $27.6 million last year, due to gross profit rate improvements and lower expenses, and as a percentage to sales was 10.6% compared to 10.2% last year.

(1) Excluding foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International sales increased 7.3% to $126.2 million compared to $117.6 million in the fourth quarter last year led by new store sales and same store sales growth of 2.2%. Food sales increased 6.6% and were up 1.5% on a same store basis and general merchandise sales increased 12.5% and were up 6.7% on a same store basis. New merchandise assortments, a strong in-stock position and better execution of holiday selling plans were the leading factors contributing to the sales increase in both the AC Value Center ("AC") and Cost-U-Less ("CUL") banners.

Gross profit dollars increased 8.8% compared to last year driven by sales growth and gross profit rate improvements. Similar to Canadian Operations, gross profit rates increased due to favourable product mix changes and lower markdowns in general merchandise. Selling, operating and administrative expenses increased 5.7% but were down 36 basis points as a percentage to sales. The increase in expenses is mainly due to new stores and higher incentive plan expenses partially offset by lower employee medical insurance costs arising from favourable claims experience.

Trading profit increased 30.2% to $5.7 million as the increase in gross profit dollars more than offset higher expenses and as a percentage to sales was 4.5% compared to 3.7% in the fourth quarter last year.

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the quarter was 0.57:1 compared to 0.55:1 last year.

Working capital decreased $24.4 million or 21.4% compared to the fourth quarter last year largely due to an increase in the current portion of long-term debt. The increase in the current portion of long-term debt is due to the senior notes that mature June 15, 2014 compared to last year's current portion of debt, which included the International Operations loan facilities that were refinanced on December 9, 2013. Further information on the maturing debt is provided in the sources of liquidity section and in Note 8 to the Company's 2013 fourth quarter unaudited interim period condensed consolidated financial statements. Excluding the impact of the maturing debt, working capital increased $13.2 million or 8.6% compared to last year largely due to an increase in inventories and lower income tax payable as a result of installments made in the year, partially offset by a lower cash position. The increase in inventories is due to higher inventories in stores serviced by sealift and winter roads in the Canadian Operations to take advantage of lower transportation costs and the impact of foreign exchange on the translation of U.S. denominated inventories.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,424,000 shares compared to 48,389,000 shares last year. The increase in basic shares outstanding is due to share options exercised. Further information on the Share Option Plan is provided in Note 6 and Note 12 to the 2013 fourth quarter unaudited interim period condensed consolidated financial statements. The weighted-average fully diluted shares outstanding for the quarter were 48,670,000 compared to 48,590,000 shares last year. The increase in the fully diluted shares outstanding compared to last year is due to options granted under the Share Option Plan and shares granted under the Director Deferred Share Unit Plan.

(1) Excluding foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

$ in thousands	**Three Months ended January 31, 2014**	Three Months ended January 31, 2013	Change	**Twelve Months ended January 31, 2014**	Twelve Months ended January 31, 2013	Change
Cash flows from (used in):						
Operating Activities Before Taxes Paid	**$ 53,548**	$ 54,293	$ (745)	**$ 132,031**	$ 144,475	$ (12,444)
Taxes Paid	**(7,031)**	(2,924)	(4,107)	**(51,995)**	(15,483)	(36,512)
Operating Activities	**46,517**	51,369	(4,852)	**80,036**	128,992	(48,956)
Investing Activities	**(14,144)**	(14,360)	216	**(42,386)**	(48,781)	6,395
Financing Activities	**(45,758)**	(39,289)	(6,469)	**(53,972)**	(68,520)	14,548
Net change in cash	**$ (13,385)**	$ (2,280)	$ (11,105)	**$ (16,322)**	$ 11,691	$ (28,013)

Cash flow from operating activities in the quarter decreased $4.9 million to $46.5 million compared to cash flow from operating activities of $51.4 million last year. The change in cash flow from operating activities is primarily due to an increase in income tax installments paid in the quarter. Excluding the impact of income tax installments, cash flow from operating activities decreased $0.7 million or 1.4% compared to the fourth quarter last year due to the change in non-cash working capital largely related to the change in accounts payable in the quarter due to the timing of payments. The change in other non-cash items is mainly due to the change in other long-term liabilities compared to the prior year.

For the year, cash flow from operating activities decreased $49.0 million to $80.0 million largely due to the increase in income tax installments and the change in non-cash working capital. As previously announced, the Company paid the remaining balance of the Canadian accrued income taxes for 2012 of approximately $19 million in the first quarter of 2013 and has been making the required monthly installments for income taxes related to the 2013 tax year. The change in non-cash working capital of $10.4 million used in operating activities compared to $10.8 million provided last year is mainly due to a decrease in accounts payable and an increase in inventories compared to the prior year.

Cash used for investing activities in the quarter decreased to $14.1 million compared to $14.4 million last year and for the year-to-date was $42.4 million compared to $48.8 million last year. The decrease in the quarter and for the year-to-date is due to a decrease in intangible asset additions primarily related to the transportation management system and a difference in the timing of capital investments. Further information on planned capital expenditures is included in the Outlook section.

Cash used for financing activities in the quarter was $45.8 million compared to $39.3 million last year. The decrease in long-term debt in the quarter is due to the change in amounts drawn on the Company's revolving loan facilities compared to last year. On a year-to-date basis, cash used in financing activities was $54.0 million compared to $68.5 million last year. The change in long-term debt is primarily related to the payment of income tax installments and higher inventories as previously noted. Further information on long-term debt is provided in Note 8 to the 2013 fourth quarter unaudited interim period condensed consolidated financial statements. For the year, the Company paid dividends of $54.2 million, an increase of 7.8%, compared to $50.3 million last year.

Sources of Liquidity

The Canadian Operations have available committed, revolving loan facilities of $200.0 million that mature on December 31, 2018. These facilities are secured by a floating charge on the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the US$52.0 million loan facilities. At January 31, 2014, the Company had drawn $63.6 million on these facilities (January 31, 2013 - $52.5 million).

The Canadian Operations have US$70.0 million senior notes that mature June 15, 2014. The senior notes are secured by a floating charge against the 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 in the International Operations. The Company has begun the process of refinancing the US$70 million senior notes 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.

The International Operations have available committed, revolving loan facilities of US$52.0 million that mature on December 31, 2018. These facilities are secured by a floating charge against the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the $200.0 million loan facilities. At January 31, 2014, the Company had drawn US$36.0 million on these facilities (January 31, 2013 - US$40.0 million).

The International Operations also have available a committed, revolving loan facility of US$30.0 million that matures October 31, 2015 and is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2014, the Company had drawn US$1.2 million on these facilities (January 31, 2013 - US$0.7 million).

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, 2014, the Company is in compliance with all covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants.

Cash flow from operating activities and unutilized capacity 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 2014.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.29 per share, an increase of $0.01 or 3.6% per share, to shareholders of record on March 31, 2014, to be paid on April 15, 2014.

The payment of dividends on the Company's common shares are 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 are designated as eligible dividends in accordance with the provisions of the Canadian Income Tax Act.

OTHER HIGHLIGHTS

- A Tim Horton's outlet was opened within a Northern banner store in Norway House, Manitoba on December 16, 2013

OUTLOOK

The Company's focus in 2014 will be on enhancing store sales and operations capability, recognizing this as a core, ongoing advantage. Productivity improvements, transportation efficiencies, improved shrink and loss controls, more finely tuned product and service offerings and capital reinvestment in high opportunity locations are key features of this focus. Within the various markets served by the Company, the consumer income environment is expected to range from flat in northern Canada and the southern island markets to modestly positive in Alaska and western Canada.

New store growth will be limited in 2014 as the Company continues to see favorable returns from optimizing existing market performance. Two new Giant Tiger locations are planned together with the possibility of smaller acquisitions. Upside to the business will be generated by the success of new merchandise and service programs and the maturation of new stores, specifically in Barbados. Downside exists with respect to margin pressure in Canada's retail food sector.

Net capital expenditures for 2014 are expected to be approximately $55.0 million (2013 - $42.4 million) reflecting the opening or acquisition of new stores, major store replacements and the final phase of a transportation management system which is targeted for completion by the end of the first quarter. Capital expenditures depend upon the completion of landlord negotiations and shipment of construction materials to remote markets and therefore, their actual amount and timing can fluctuate.

As previously announced, the Company paid the remaining balance of the Canadian accrued income taxes for 2012 of approximately $19 million in the first quarter of 2013 in addition to making the required monthly installments for income taxes related to the 2013 tax year. The Company expects its Canadian monthly income tax installments to decrease in 2014 compared to 2013 based on a normalized level of taxable income in 2013 and the recognition of a portion of the deferred limited partnership income. Actual installments paid may vary from anticipated payments due to a variety of factors including changes in expected or actual earnings across various tax jurisdictions.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information. In 2013, the first quarter had 89 days of operations compared to 90 days of operations in 2012 as a result of February 29.

Operating Results - Consolidated

	Fourth Quarter		**Third Quarter**		**Second Quarter**		**First Quarter**	
	92 days	**92 days**	**92 days**	**92 days**	**92 days**	**92 days**	**89 days**	**90 days**
($ in millions)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Sales	**$ 402.9**	$ 386.6	$ 387.2	$ 377.7	$ 388.6	$ 383.8	$ 364.5	$ 365.5
Trading profit	**34.4**	31.9	36.5	35.6	37.4	36.4	30.0	29.7
Net earnings	**15.9**	15.5	17.4	17.2	18.1	18.0	12.9	13.2
Net earnings per share:								
Basic	**0.33**	0.32	0.36	0.36	0.37	0.37	0.27	0.27
Diluted	**0.32**	0.32	0.36	0.36	0.37	0.37	0.27	0.27

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company in order to provide reasonable assurance that all material information relating to the Company is made known to management in a timely manner so that appropriate decisions can be made regarding public disclosure. Management is also 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 IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance of achieving the control objectives. Additionally, management is necessarily required to use judgment in evaluating controls and procedures. There have been no changes in the internal controls over financial reporting during the quarter ended January 31, 2014 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2013

The Company adopted the amendments to IFRS listed below effective February 1, 2013, as required by the International Accounting Standards Board (IASB).

Employee benefits The revised IAS 19, *Employee Benefits* (IAS 19r) issued by the IASB eliminates the option to defer the recognition of actuarial gains and losses on defined benefit plans. It amended the calculation of plan assets and benefit obligations, streamlined the presentation of changes in defined benefit plans and required enhanced disclosure. The requirement to calculate the expected return on plan assets with the interest rate used to calculate the defined benefit plan obligation was the most significant for the Company. Implementation of this standard in these financial statements required restatement of the 2012 comparative numbers.

The impact for the three months ended January 31, 2013 is a decrease in net earnings of $315 and a corresponding increase in OCI. The adjustment to earnings was comprised of an increase to interest expense of $292, an increase to selling, operating and administrative expenses of $138 and a deferred tax recovery of $115. The impact for the twelve months ended January 31, 2013 is a decrease in net earnings of $1,260 and a corresponding increase in OCI. The adjustment to earnings was comprised of an increase to interest expense of $1,170, an increase to selling, operating and administrative expense of $550 and a deferred tax recovery of $460.

In addition to IAS 19r, the Company adopted the following standards and amendments effective February 1, 2013: IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests In Other Entities*; IAS 28r, *Investment in Associates and Joint Ventures*; IAS 1, *Presentation of Financial Statements*; and IFRS 13, *Fair Value Measurement*. These amendments had no material impact on the Company's results from operations or financial condition. Additional interim disclosures required by IFRS 13 have been included in the Company's 2013 fourth quarter unaudited interim condensed consolidated financial statements in Note 15 - *Financial Instruments.*

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2014, and have not been applied in preparing the 2013 fourth quarter unaudited interim condensed consolidated financial statements:

Offsetting Financial Assets and Liabilities The amended IAS 32, *Financial Instruments: Presentation* clarifies the requirements that permit offsetting certain financial instruments. The Company is currently assessing the significance of these amendments to determine the potential impact, if any. This standard is effective for the Company's financial year beginning February 1, 2014. No significant impact is anticipated.

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 based on how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with only two categories: amortized cost and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial liabilities and hedge accounting. The mandatory effective date of this standard has been deferred. The Company is currently assessing the potential impact of changes to this standard.

Financial Instruments Amendments to IFRS 7 *Financial Instruments: Disclosures* and IAS 32 *Financial Instruments: Presentation* are not expected to have any significant impact on the Company's consolidated financial statements.

Levies In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and applied retrospectively. The interpretation 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. The Company is currently assessing the potential impact of these changes, if any.

NON-GAAP MEASURES

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

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

	Fourth Quarter		**Year-to-Date**	
($ in thousands)	**2013**	2012	**2013**	2012
Net earnings	**$ 15,855**	$ 15,516	**$ 64,263**	$ 63,888
Add: Amortization	**9,755**	9,242	**38,276**	37,149
Interest expense	**2,060**	1,368	**7,784**	6,979
Income taxes	**6,702**	5,799	**28,013**	25,701
Trading profit	**$ 34,372**	$ 31,925	**$ 138,336**	$ 133,717

For trading profit information by business segment, see Note 4, Segmented Information, in the notes to the Company's 2013 fourth quarter unaudited interim period condensed consolidated financial statements.

(2) Earnings From Operations/Earnings Before Interest and Income Taxes (EBIT) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBIT is a useful supplemental 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:

	Fourth Quarter		**Year-to-Date**	
($ in thousands)	**2013**	2012	**2013**	2012
Net earnings	**$ 15,855**	$ 15,516	**$ 64,263**	$ 63,888
Add: Interest expense	**2,060**	1,368	**7,784**	6,979
Income taxes	**6,702**	5,799	**28,013**	25,701
Earnings from operations	**$ 24,617**	$ 22,683	**$100,060**	$ 96,568

For earnings from operations information by business segment, see Note 4, Segmented Information, in the notes to the Company's 2013 fourth quarter unaudited interim period condensed consolidated financial statements.

Management uses these and other non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under GAAP as the excluded amounts are not necessarily reflective of the Company's underlying operating performance and can make comparisons of financial performance between periods more difficult. The Company may exclude additional items if it believes that doing so will result in a more effective analysis and explanation of the underlying financial performance. The exclusion of these items does not imply that they are non-recurring.

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the unaudited interim condensed consolidated financial statements and notes to the unaudited interim condensed consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to March 12, 2014.

Forward-Looking Statements

This Quarterly Report, including Management's Discussion & Analysis (MD&A), contains forward-looking statements about the Company, 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, dividends, debt levels, financial capacity, access to capital, and liquidity), on-going business strategies or prospects, and possible future action by the Company, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the 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 the 2012 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

Additional information on the 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*.

Consolidated Balance Sheets

(unaudited, $ in thousands)	January 31, 2014	January 31, 2013
CURRENT ASSETS		
Cash	**$ 22,353**	$ 38,675
Accounts receivable	**70,527**	70,040
Inventories (Note 5)	**198,856**	187,200
Prepaid expenses	**7,335**	7,981
	299,071	303,896
NON-CURRENT ASSETS		
Property and equipment	**286,875**	274,027
Goodwill	**29,424**	26,162
Intangible assets	**21,514**	20,136
Deferred tax assets	**19,597**	12,904
Other assets	**14,031**	14,269
	371,441	347,498
TOTAL ASSETS	**$ 670,512**	$ 651,394
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 128,999**	$ 130,501
Current portion of long-term debt (Note 8)	**77,800**	40,417
Income tax payable (Note 11)	**2,939**	19,266
	209,738	190,184
NON-CURRENT LIABILITIES		
Long-term debt (Note 8)	**105,062**	122,937
Defined benefit plan obligation (Note 16)	**18,417**	28,431
Deferred tax liabilities	**2,012**	2,026
Other long-term liabilities	**12,843**	11,566
	138,334	164,960
TOTAL LIABILITIES	**348,072**	355,144
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**166,069**	165,358
Contributed surplus	**3,528**	3,485
Retained earnings	**145,762**	128,224
Accumulated other comprehensive income	**7,081**	(817)
TOTAL EQUITY	**322,440**	296,250
TOTAL LIABILITIES & EQUITY	**$ 670,512**	$ 651,394

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended January 31, 2014**	Three Months Ended January 31, 2013	**Twelve Months Ended January 31, 2014**	Twelve Months Ended January 31, 2013
SALES	**$ 402,868**	$ 386,622	**$ 1,543,125**	$ 1,513,646
Cost of sales	**(282,764)**	(271,948)	**(1,088,071)**	(1,068,940)
Gross profit	**120,104**	114,674	**455,054**	444,706
Selling, operating and administrative expenses (Notes 3, 9)	**(95,487)**	(91,991)	**(354,994)**	(348,138)
Earnings from operations	**24,617**	22,683	**100,060**	96,568
Interest expense (Notes 3, 10)	**(2,060)**	(1,368)	**(7,784)**	(6,979)
Earnings before income taxes	**22,557**	21,315	**92,276**	89,589
Income taxes (Note 3, 11)	**(6,702)**	(5,799)	**(28,013)**	(25,701)
NET EARNINGS FOR THE PERIOD	**$ 15,855**	$ 15,516	**$ 64,263**	$ 63,888
NET EARNINGS PER SHARE				
Basic	**$ 0.33**	$ 0.32	**$ 1.33**	$ 1.32
Diluted	**$ 0.32**	$ 0.32	**$ 1.32**	$ 1.32
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**48,424**	48,389	**48,413**	48,384
Diluted	**48,670**	48,590	**48,657**	48,579

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended January 31, 2014**	Three Months Ended January 31, 2013	**Twelve Months Ended January 31, 2014**	Twelve Months Ended January 31, 2013
NET EARNINGS FOR THE PERIOD	**$ 15,855**	$ 15,516	**$ 64,263**	$ 63,888
Other comprehensive income/(expense), net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries	**4,964**	6	**7,898**	(222)
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans, (Note 16)	**(2,542)**	2,799	**7,804**	(1,335)
Remeasurements of defined benefit plans, of equity investee	**(300)**	—	**(300)**	—
Total other comprehensive income, net of tax	**2,122**	2,805	**15,402**	(1,557)
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 17,977**	$ 18,321	**$ 79,665**	$ 62,331

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total
Balance at January 31, 2013	$ 165,358	$ 3,485	$ 128,224	$ (817)	$ 296,250
Net earnings for the period	—	—	64,263	—	64,263
Other comprehensive income	—	—	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 7)	—	—	(54,229)	—	(54,229)
Issuance of common shares (Note 6)	711	(580)	—	—	131
	711	43	(54,229)	—	(53,475)
Balance at January 31, 2014	**$166,069**	**$ 3,528**	**$145,762**	**$ 7,081**	**$322,440**

Balance at January 31, 2012	$ 165,133	$ 3,180	$ 115,991	$ (595)	$ 283,709
Net earnings for the period	—	—	63,888	—	63,888
Other comprehensive income	—	—	(1,335)	(222)	(1,557)
Comprehensive income	—	—	62,553	(222)	62,331
Equity settled share-based payments	—	471	—	—	471
Dividends (Note 7)	—	—	(50,320)	—	(50,320)
Issuance of common shares (Note 6)	225	(166)	—	—	59
	225	305	(50,320)	—	(49,790)
Balance at January 31, 2013	$ 165,358	$ 3,485	$ 128,224	$ (817)	$ 296,250

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended January 31, 2014**	Three Months Ended January 31, 2013	**Twelve Months Ended January 31, 2014**	Twelve Months Ended January 31, 2013
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	**$ 15,855**	$ 15,516	**$ 64,263**	$ 63,888
Adjustments for:				
Amortization	**9,755**	9,242	**38,276**	37,149
Provision for income taxes (Note 3, 11)	**6,702**	5,799	**28,013**	25,701
Interest expense (Note 3, 10)	**2,060**	1,368	**7,784**	6,979
Equity settled share option expense (Note 12)	**103**	78	**623**	471
Taxes paid	**(7,031)**	(2,924)	**(51,995)**	(15,483)
Loss / (gain) on disposal of property and equipment	**76**	(198)	**164**	1,978
	27,520	28,881	**87,128**	120,683
Change in non-cash working capital	**14,493**	21,298	**(10,446)**	10,764
Change in other non-cash items	**4,504**	1,190	**3,354**	(2,455)
Cash from operating activities	**46,517**	51,369	**80,036**	128,992
Investing activities				
Purchase of property and equipment	**(13,812)**	(13,813)	**(39,596)**	(42,236)
Intangible asset additions	**(879)**	(2,450)	**(3,611)**	(8,897)
Proceeds from disposal of property and equipment	**547**	1,903	**821**	2,352
Cash used in investing activities	**(14,144)**	(14,360)	**(42,386)**	(48,781)
Financing activities				
Net Increase/(decrease) in long-term debt (Note 8)	**(29,308)**	(24,488)	**6,895**	(12,285)
Dividends (Note 7)	**(13,566)**	(12,581)	**(54,229)**	(50,320)
Interest paid	**(2,884)**	(2,220)	**(6,769)**	(5,974)
Issuance of common shares	**—**	—	**131**	59
Cash used in financing activities	**(45,758)**	(39,289)	**(53,972)**	(68,520)
NET CHANGE IN CASH	**(13,385)**	(2,280)	**(16,322)**	11,691
Cash, beginning of period	**35,738**	40,955	**38,675**	26,984
CASH, END OF PERIOD	**$ 22,353**	$ 38,675	**$ 22,353**	$ 38,675

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

The Company has two reportable geographical segments, Canada and International. The International segment consists of wholly owned subsidiaries operating in the continental United States, Caribbean and South Pacific. The Company's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer holiday buying patterns.

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on March 12, 2014.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2012 Annual Report which have been prepared in accordance with International Financial Reporting Standards (IFRS).

(B) Basis of Measurement The condensed consolidated financial statements have been prepared on a historical cost basis, except for the following which are measured at fair value:

- Derivative financial instruments
- Financial instruments designated at fair value
- Liabilities for share-based payment plans
- Defined benefit pension plan
- Assets and liabilities acquired in a business combination

(C) Functional and Presentation Currency The presentation currency of the condensed 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

Except as noted below, the significant accounting policies are set out in the Company's 2012 audited annual consolidated financial statements. These policies have been applied to all periods presented in these condensed 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.

Accounting Standards Implemented in Current Year The Company adopted the amendments to IFRS listed below effective February 1, 2013, as required by the IASB.

Employee benefits The revised IAS 19, *Employee Benefits* (IAS 19r) issued by the IASB eliminates the option to defer the recognition of actuarial gains and losses on defined benefit plans. It amended the calculation of plan assets and benefit obligations, streamlined the presentation of changes in defined benefit plans and required enhanced disclosure. The requirement to calculate the expected return on plan assets with the interest rate used to calculate the defined benefit plan obligation was the most significant for the Company. Implementation of this standard in these financial statements required restatement of the 2012 comparative numbers.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The impact for the three months ended January 31, 2013 is a decrease in net earnings of $315 and a corresponding increase in OCI. The adjustment to earnings was comprised of an increase to interest expense of $292, an increase to selling, operating and administrative expenses of $138 and a deferred tax recovery of $115. The impact for the twelve months ended January 31, 2013 is a decrease in net earnings of $1,260 and a corresponding increase in OCI. The adjustment to earnings was comprised of an increase to interest expense of $1,170, an increase to selling, operating and administrative expense of $550 and a deferred tax recovery of $460.

In addition to IAS 19r, the Company adopted the following standards and amendments effective February 1, 2013: IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests In Other Entities*; IAS 28r, *Investment in Associates and Joint Ventures*; IAS 1, *Presentation of Financial Statements*; and IFRS 13, *Fair Value Measurement*. These amendments had no material impact on the Company's results from operations or financial condition. Additional interim disclosures required by IFRS 13 have been included in Note 15 - Financial Instruments.

Future Standards and Amendments The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2014, and have not been applied in preparing these consolidated financial statements:

Offsetting Financial Assets and Liabilities The amended IAS 32, *Financial Instruments: Presentation* clarifies the requirements that permit offsetting certain financial instruments. The Company is currently assessing the significance of these amendments to determine the potential impact, if any. This standard is effective for the Company's financial year beginning February 1, 2014. No significant impact is anticipated.

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 based on how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with only two categories: amortized cost and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial assets and liabilities and hedge accounting. The mandatory effective date of this standard has been deferred. The Company is currently assessing the potential impact of changes to this standard.

Financial Instruments Amendments to IFRS 7 *Financial Instruments: Disclosures* and IAS 32 *Financial Instruments: Presentation* are not expected to have any significant impact on the Company's consolidated financial statements.

Levies In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and applied retrospectively. The interpretation 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. The Company is currently assessing the potential impact of these changes, if any.

Use of Estimates The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in the condensed consolidated financial statements and notes.

These estimates and assumptions 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 condensed 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.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have the most significant effect on the amounts recognized in the condensed consolidated financial statements include: allowance for doubtful accounts, inventories, impairment of assets, goodwill and indefinite life intangible asset impairment, income taxes, and defined benefit plan obligations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended January 31, 2014	Three Months Ended January 31, 2013	**Twelve Months Ended January 31, 2014**	Twelve Months Ended January 31, 2013
Sales				
Canada	**$ 267,976**	$ 269,871	**$ 1,022,985**	$ 1,043,050
International	**134,892**	116,751	**520,140**	470,596
Consolidated	**$ 402,868**	$ 386,622	**$ 1,543,125**	$ 1,513,646
Earnings before amortization, interest and income taxes				
Canada	**$ 28,344**	$ 27,632	**$ 111,225**	$ 106,510
International	**6,028**	4,293	**27,111**	27,207
Consolidated	**$ 34,372**	$ 31,925	**$ 138,336**	$ 133,717
Earnings from operations				
Canada	**$ 20,948**	$ 20,400	**$ 81,967**	$ 77,355
International	**3,669**	2,283	**18,093**	19,213
Consolidated	**$ 24,617**	$ 22,683	**$ 100,060**	$ 96,568

Supplemental information:

	January 31, 2014	January 31, 2013
Assets		
Canada	**$ 438,299**	$ 444,848
International [(1)]	**232,213**	206,546
Consolidated	**$ 670,512**	$ 651,394

(1) International total assets includes goodwill of $29,424 (January 31, 2013 - $26,162).

	Three Months Ended January 31, 2014		Three Months Ended January 31, 2013		**Twelve Months Ended January 31, 2014**		Twelve Months Ended January 31, 2013	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 9,756**	**$ 4,056**	$ 7,751	$ 6,062	**$ 26,242**	**$ 13,354**	$ 25,128	$ 17,108
Amortization	**$ 7,396**	**$ 2,359**	$ 7,232	$ 2,010	**$ 29,258**	**$ 9,018**	$ 29,155	$ 7,994

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INVENTORIES

Included in cost of sales for the three months ended January 31, 2014, the Company recorded $419 (three months ended January 31, 2013 - $338) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the twelve months ended January 31, 2014, the Company recorded $1,522 (twelve months ended January 31, 2013 - $1,648) for the write-down of inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the twelve months ended January 31, 2014 or 2013.

6. SHARE CAPITAL

Authorized – The Company has an unlimited number of shares.

	Shares	Consideration
Balance at January 31, 2013	**48,388,721**	**$ 165,358**
Issued under option plans (Note 12)	**37,066**	**$ 711**
Balance at January 31, 2014	**48,425,787**	**$ 166,069**

Balance at January 31, 2012	48,378,000	$ 165,133
Issued under option plans (Note 12)	10,721	$ 225
Balance at January 31, 2013	48,388,721	$ 165,358

7. DIVIDENDS

	January 31, 2014	January 31, 2013
Dividends paid in cash	**$ 54,229**	$ 50,320
Dividends per share	**$ 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 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 period in which they are approved by the Board of Directors.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LONG-TERM DEBT

	January 31, 2014	January 31, 2013
Current:		
Notes payable	**$ 148**	$ 199
Finance lease liabilities	**76**	250
Revolving loan facilities (2)	**—**	39,968
Senior notes (4)	**77,576**	—
	$ 77,800	$ 40,417
Non-current:		
Revolving loan facilities (1)	**$ 1,302**	$ 718
Revolving loan facilities (2)	**40,028**	—
Revolving loan facilities (3)	**63,607**	52,499
Senior notes (4)	**—**	69,461
Notes payable	**62**	189
Finance lease liabilities	**63**	70
	$ 105,062	$ 122,937
Total	**$ 182,862**	$ 163,354

(1) This committed, revolving loan 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, 2014, the International Operations had drawn US$1,171 (January 31, 2013 – US$719) on this facility.

(2) On December 9, 2013, the Company completed the refinancing of the US$52,000 loan facilities in the International Operations. The new, committed, revolving loan facilities mature December 31, 2018 and bear interest at LIBOR plus a spread. These loan facilities are secured by a floating first charge against the 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, 2014, the Company had drawn US$36,000 (January 31, 2013 – US$40,000) on these facilities.

(3) On December 9, 2013, the Company completed the refinancing of the $170,000 loan facilities in the Canadian Operations. The new, increased, committed, revolving loan facilities provide the Company with up to $200,000 for working capital and general business purposes. The new facilities mature December 31, 2018 and are secured by a floating charge against the 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 US$70,000 senior notes mature on June 15, 2014 and bear interest at a rate of 6.55%, payable semi-annually. The notes are secured by a floating charge against the assets of the Company and rank *pari passu* with the $200,000 Canadian Operations loan facilities and the US$52,000 loan facilities in International Operations. The Company has entered into interest rate swaps resulting in floating interest costs on US$28,000 of its senior notes (January 31, 2013 – US$28,000). The interest rate swaps mature June 15, 2014.

9. EMPLOYEE COSTS

	Three Months Ended January 31, 2014	Three Months Ended January 31, 2013	**Twelve Months Ended January 31, 2014**	Twelve Months Ended January 31, 2013
Wages, salaries and benefits including bonus	**$ 55,777**	$ 54,634	**$ 207,932**	$ 206,348
Post employment benefits	**1,264**	1,362	**6,086**	5,832
Share-based compensation (Note 12)	**1,397**	1,672	**8,934**	8,440

10. INTEREST EXPENSE

	Three Months Ended January 31, 2014	Three Months Ended January 31, 2013	**Twelve Months Ended January 31, 2014**	Twelve Months Ended January 31, 2013
Interest on long-term debt	**$ 1,850**	$ 1,411	**$ 7,181**	$ 6,637
Fair value movement of derivative financial instruments in effective fair value hedging relationships	**(12)**	1	**(3)**	26
Net interest on defined benefit plan obligation	**284**	186	**1,126**	1,118
Interest income	**(44)**	(77)	**(328)**	(296)
Less: interest capitalized	**(18)**	(153)	**(192)**	(506)
Interest expense	**$ 2,060**	$ 1,368	**$ 7,784**	$ 6,979

11. INCOME TAXES

The estimated effective income tax rate for the three months ended January 31, 2014 is 29.7% (January 31, 2013 - 27.2%) and for the twelve months ended January 31, 2014 is 30.4% (twelve months ended January 31, 2013 - 28.7%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings. The increase primarily reflects changes in earnings of the Company's subsidiaries across various tax jurisdictions.

12. 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 three months ended January 31, 2014 is $1,397 (three months ended January 31, 2013 - $1,672) and for the twelve months ended January 31, 2014 is $8,934 (twelve months ended January 31, 2013 - $8,440). 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, 2014	January 31, 2013
Accounts payable and accrued liabilities	**$ 7,688**	$ 7,437
Other long-term liabilities	**6,593**	5,506
Contributed surplus	**1,959**	1,916
Total	**$ 16,240**	$ 14,859

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 are scheduled to vest no later than 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 three months ended January 31, 2014 are $1,023 (three months ended January 31, 2013 - $1,272) and for the twelve months ended January 31, 2014 are $5,267 (twelve months ended January 31, 2013 - $5,527).

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. Each option is exercisable into one share of the Company at the price specified in the terms of the option, or the employee may elect 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 share-based compensation is recognized in net earnings over the vesting period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, 2014. 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 three months ended January 31, 2014 is $277 (three months ended January 31, 2013 - $226) and for the twelve months ended January 31, 2014 is $1,934 (twelve months ended January 31, 2013 - $1,288).

The fair values for options issued during the twelve months ended January 31 were calculated based on the following assumptions:

	2013	2012
Fair value of options granted	**$ 3.28 to 4.46**	$ 3.35 to 4.62
Exercise price	**$ 23.21**	$ 21.86
Dividend yield	**4.4%**	4.7%
Annual risk-free interest rate	**1.3% to 1.4%**	1.6% to 1.7%
Expected share price volatility	**26.0%**	28.0%

The assumptions used to measure cash settled options at January 31 were as follows:

	2013	2012
Dividend yield	**4.4%**	4.5%
Annual risk-free interest rate	**1.0% to 1.6%**	1.3% to 1.5%
Expected share price volatility	**19.2% to 22.2%**	20.9% to 25.8%

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 twelve months ended January 31:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	2013	2012	**2013**	2012
Outstanding options, beginning of period	**580,015**	315,812	**556,932**	548,486
Granted	**316,679**	328,677	**67,580**	63,177
Exercised	**—**	—	**(98,132)**	(26,430)
Forfeited or cancelled	**—**	(64,474)	**—**	(28,301)
Outstanding options, end of period	**896,694**	580,015	**526,380**	556,932
Exercisable at end of period	**—**	—	**132,301**	59,165

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	2013	2012	**2013**	2012
Outstanding options, beginning of period	**$ 21.12**	$ 20.34	**$ 18.07**	$ 17.45
Granted	**23.21**	21.86	**23.21**	21.86
Exercised	**—**	—	**16.09**	15.25
Forfeited or cancelled	**—**	21.11	**—**	17.31
Outstanding options, end of period	**$ 21.86**	$ 21.12	**$ 19.10**	$ 18.07
Exercisable at end of period	**$ —**	$ —	**$ 17.11**	$ 15.25

Options outstanding at January 31, 2014 have an exercise price range of $15.25 to $23.21 and a weighted-average remaining contractual life of 5.5 years.

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 DSU 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 three months ended January 31, 2014 is a recovery of $25 (three months ended January 31, 2013 – expense of $57) and for the twelve months ended January 31, 2014 is an expense of $1,031 (twelve months ended January 31, 2013 - $969). The total number of DSUs outstanding at January 31, 2014 is 145,806 (January 31, 2013 – 136,685). There were no DSUs exercised during the three months ended January 31, 2014 (three months ended January 31, 2013 – NIL) and 20,629 DSUs exercised during the twelve months ended January 31, 2014 (twelve months ended January 31, 2013 - 4,698).

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 three months ended January 31, 2014 is $122 (three months ended January 31, 2013 – $117) and for the twelve months ended January 31, 2014 is $702 (twelve months ended January 31, 2013 - $656).

13. SEASONALITY

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

14. SUBSIDIARIES AND JOINT VENTURES

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		100%

The investment in joint ventures comprises a 50% interest in a Canadian Arctic shipping company, Transport Nanuk Inc.

15. FINANCIAL INSTRUMENTS

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.

		Assets (Liabilities) carried at amortized cost		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 8).

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

- The fair value of short-term financial instruments approximates their carrying values due to 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 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.

The portion of long-term debt in an effective fair value hedging relationship and derivative financial instruments are classified as Level 2, as they are primarily derived from observable interest rates. There would be 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 holds interest rate swaps with a notional value of US$28,000 (January 31, 2013 - US$28,000) to hedge a portion of the fixed rate senior notes due in 2014. Under the terms of the swaps, the Company receives fixed interest and pays floating rate interest at a fixed spread above three-month LIBOR.

16. EMPLOYEE FUTURE BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities is performed periodically. During the three months ended January 31, 2014, the Company recorded net actuarial losses on its defined benefit plan obligation of $2,542 in other comprehensive income, which was recognized immediately in retained earnings (three months ended January 31, 2013 - net gains of $2,799).

As a result of an increase in long-term interest rates and a higher than expected return on pension plan assets, the Company recorded net actuarial gains on defined benefit plan obligations of $7,804 for the twelve months ended January 31, 2014 in other comprehensive income, which was recognized immediately in retained earnings (twelve months ended January 31, 2013 - net losses of $1,335).

The discount rate used to determine the benefit obligation for the defined benefit pension plan at January 31, 2014 was 4.50% (January 31, 2013 - 4.25%).

The benefit obligations and plan assets for the Company's pension and other post-retirement plans were as follows:

	January 31, 2014	January 31, 2013
Present value of defined benefit obligations	**$ (93,844)**	$ (93,570)
Fair value of plan assets	**75,427**	65,139
Defined benefit plan obligation, funded status	**$ (18,417)**	$ (28,431)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS

On March 12, 2014, the Board of Directors declared a dividend of $0.29 per common share payable April 15, 2014 to shareholders of record on March 31, 2014.