

Consolidated Financial Statements of

THE NORTH WEST COMPANY INC.

For the years ended January 31, 2015 and 2014



Consolidated Financial Statements

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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 COMPANY INC.



John D. King
CHIEF FINANCIAL OFFICER
THE NORTH WEST COMPANY INC.

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.



CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

April 9, 2015

Consolidated Balance Sheets

(\$ in thousands)	January 31, 2015	January 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
	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"

DIRECTOR

"H. Sanford Riley"

DIRECTOR

Consolidated Statements of Earnings

(\$ in thousands, except per share amounts)	Year Ended January 31, 2015	Year Ended 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 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)	Year Ended January 31, 2015	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	Contributed 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

(\$ in thousands)	Year Ended January 31, 2015	Year Ended 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 period-end exchange rate, and revenues and expenses at the average rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in 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			
Year Ended	January 31, 2015		January 31, 2014
Sales			
Canada	\$ 1,042,168		\$ 1,022,985
International	582,232		520,140
Consolidated	\$ 1,624,400		\$ 1,543,125
Earnings before amortization, interest and income taxes			
Canada	\$ 100,896		\$ 111,225
International	36,942		27,111
Consolidated	\$ 137,838		\$ 138,336
Earnings from operations			
Canada	\$ 70,594		\$ 81,967
International	26,872		18,093
Consolidated	\$ 97,466		\$ 100,060

	January 31, 2015		January 31, 2014	
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 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	Leasehold improvements	Fixtures & equipment	Computer equipment	Construction in 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	Leasehold improvements	Fixtures & equipment	Computer equipment	Construction in 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
Disposals	—	(509)	(8)	(631)	(3,236)	—	(4,384)
Effect of movements in foreign exchange	—	3,755	798	4,295	805	—	9,653
Total January 31, 2014	\$ —	\$ 191,439	\$ 25,798	\$ 171,321	\$ 57,069	\$ —	\$ 445,627
Net book value January 31, 2014	\$ 15,692	\$ 159,485	\$ 19,778	\$ 74,542	\$ 8,258	\$ 9,120	\$ 286,875

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

Interest capitalized

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	Software	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	\$ 28,376	\$ 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 banner	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 31, 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	February 1, 2014	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Foreign exchange differences recognized 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	February 1, 2013	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Foreign exchange differences recognized 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 31, 2015	January 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-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 (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 31, 2015	January 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	\$ (118,854)	\$ (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 plan:

	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 pensioners:		
Male	21.1	20.5
Female	23.5	22.8
Average life expectancies at age 65 for current members 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 year-to-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 31, 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 rereasurement due to:		
Plan experience	(2,688)	563
Financial assumptions	(19,324)	4,011
Mortality assumptions	(962)	(1,832)
Taxes on actuarial rereasurement in OCI	4,379	(2,849)
Net actuarial rereasurement recognized in OCI	\$ (11,968)	\$ 7,804
Cumulative gains/losses recognized in OCI:		
Cumulative gross actuarial rereasurement in OCI	\$ (26,940)	\$ (10,593)
Taxes on cumulative actuarial rereasurement in OCI	5,129	750
Total actuarial rereasurement recognized in OCI, net	\$ (21,811)	\$ (9,843)

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

	January 31, 2015	January 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 vesting period.

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 Price 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 Options	
	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

Grant year	Range of exercise price	Outstanding			Exercisable		
		Number outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	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).

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.

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.

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 (Liabilities) carried at amortized cost			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 (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 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	Consideration
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 following amounts in respect of key management compensation:

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, 2015		January 31, 2014	
	Land and buildings	Other leases	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.

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 indemnification agreements to counterparties for various events such as intellectual property right infringement, loss or damages to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these indemnification agreements 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.

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.

23. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

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

	Activity	Country of Organization	Proportion of voting rights held by:	
			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.



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."

The North West Company Inc.
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