THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended January 31, 2016

2015 FOURTH QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the fourth quarter ended January 31, 2016. Sales increased 9.6% to $475.2 million compared to the fourth quarter last year led by food same store sales growth and the impact of foreign exchange on the translation of International Operations sales. Consolidated sales, excluding the impact of foreign exchange, increased 3.0% and were up 2.3%[1] on a same store basis.

Fourth quarter net earnings increased 1.7% to $15.2 million and diluted earnings per share were flat to last year at $0.31 per share as store-level earnings growth and the impact of foreign exchange were offset by higher share-based compensation costs and incentive plan expenses. Excluding the impact of foreign exchange, net earnings decreased 8.5% compared to last year.

The Board of Directors has approved a quarterly dividend of $0.31 per share to shareholders of record on March 31, 2016.

On behalf of the Board of Directors:

H. Sanford Riley
Chairman

Edward S. Kennedy
President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's fourth quarter unaudited interim period condensed consolidated financial statements for the period ended January 31, 2016 and the audited annual consolidated financial statements and accompanying notes included in the 2014 Annual Report.

CONSOLIDATED RESULTS

Quarter

Fourth quarter consolidated sales increased 9.6% to $475.2 million driven by food same store sales gains and the impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, consolidated sales increased 3.0% and were up 2.3%[1] on a same store basis. Food sales[1] increased 3.8% and were up 3.2% on a same store basis with all banners contributing to the sales growth. General merchandise sales[1] increased 0.1% but were down 0.9% on a same store basis as sales growth from International Operations was more than offset by weaker sales performance in northern Canada.

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

	2015	2014
Food	**76.9%**	75.8%
General merchandise	**20.1%**	21.0%
Other*	**3.0%**	3.2%

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

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

Earnings from operations increased 0.8% to $23.4 million compared to $23.2 million last year. Gross profit dollars were up 13.6% driven by food sales growth across all banners, the impact of foreign exchange and a 100 basis point increase in the gross profit rate compared to last year. The increase in the gross profit rate was due in part to the impact of the write-down and clearance of discontinued general merchandise inventory in the fourth quarter last year. Selling, operating and administrative expenses increased 16.6% and were up 144 basis points as a percentage to sales. This increase was largely due to the impact of foreign exchange on the translation of International Operations expenses and higher incentive plan costs due in part to share-based compensation. The impact of new stores and an increase in store-based payroll were also factors. Excluding the impact of foreign exchange, earnings from operations decreased 8.2% to last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) increased 4.9% to $35.1 million led by strong store-level EBITDA growth and the impact of foreign exchange but was down 2.8% compared to last year excluding the foreign exchange impact due to higher administration costs, short-term incentive plan expenses and share-based compensation costs in Canadian Operations. These factors were partially offset by the write-down of general merchandise inventory last year. EBITDA as a percentage to sales was 7.4% compared to 7.8% last year.

Income tax expense decreased $0.4 million to $6.5 million due to lower earnings in Canadian Operations. The consolidated effective tax rate was 29.9% compared to 31.4% last year primarily due to the blend of earnings in International Operations across the various tax jurisdictions partially offset by the impact of non-deductible share-based compensation expenses in Canadian Operations.

Net earnings increased 1.7% to $15.2 million and diluted earnings per share were $0.31 per share compared to $0.31 per share last year as strong store performance and the impact of foreign exchange more than offset higher non-store expenses in Canadian Operations. Excluding the impact of foreign exchange, net earnings decreased 8.5% compared to last year due largely to the increase in expenses noted above.

Comprehensive income increased to $28.6 million compared to $13.6 million last year largely due to the remeasurement of the defined benefit pension plan's assets and liabilities. As a result of an increase in long-term interest rates, the Company recorded a $4.6 million net actuarial gain on its defined benefit plan obligation in other comprehensive income. This compares to net actuarial losses of $12.0 million in other comprehensive income last year due to a decrease in long-term interest rates. Further information on employee future benefits is provided in Note 16 to the Company's 2015 fourth quarter unaudited interim period condensed consolidated financial statements.

Year

Sales for the year increased 10.6% to $1.796 billion compared to $1.624 billion in 2014 led by same store sales growth and the impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, sales increased 4.5% and were up 3.8%[1] on a same store basis. Food sales[1] increased 5.3% and were up 4.5% on a same store basis with all banners contributing to the sales growth. General merchandise sales[1] increased 2.5% and were up 1.0% on a same store basis driven by sales gains in International Operations.

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

	2015	2014
Food	**79.3%**	78.2%
General merchandise	**17.6%**	18.3%
Other*	**3.1%**	3.5%

* Other sales includes fuel, fur and financial service revenues

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

Earnings from operations increased $9.9 million or 10.1% to $107.3 million compared to $97.5 million last year. Gross profit dollars increased 12.6% due to sales growth, the impact of foreign exchange and a 52 basis point increase in the gross profit rate. The increase in the gross profit rate was due in part to the impact of the write-down and clearance of discontinued general merchandise inventory last year. Selling, operating and administrative expenses increased 13.2% and were up 54 basis points as a percentage to sales due to the impact of foreign exchange on the translation of International Operations expenses and higher short-term and long-term incentive plan costs. The increase in short-term incentive plan costs is related to earnings improvement while the increase in share price was the primary reason for higher share-based long-term compensation costs. The share price increased $3.97 or 14.9% this year compared to an increase of $1.14 or 4.5% last year. Further information on share-based compensation expenses is provided in Note 9 and Note 12 to the 2015 fourth quarter unaudited interim period condensed consolidated financial statements. Partially offsetting these factors was the impact of employee restructuring costs last year. Excluding the impact of foreign exchange, earnings from operations increased 3.5% compared to last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA)[2] increased 9.8% to $151.3 million compared to $137.8 million last year. Excluding the impact of foreign exchange, EBITDA increased 3.8% and as a percentage to sales was 8.5% compared to 8.6% last year.

Interest expense decreased $0.5 million or 6.9% largely due to the refinancing of the senior notes in the second quarter last year. Further information on interest expense is provided in Note 10 to the 2015 fourth quarter unaudited interim period condensed consolidated financial statements.

Income taxes increased 12.3% to $31.3 million compared to $27.9 million last year due to higher earnings in International Operations and the impact of foreign exchange. The increase in the consolidated effective tax rate to 31.0% compared to 30.7% last year is largely due to the impact of non-deductible share-based compensation expenses in the Canadian Operations.

Net earnings increased 11.0% to $69.8 million compared to $62.9 million last year and diluted earnings per share were $1.43 per share compared to $1.29 per share last year due to higher net earnings in International Operations and the impact of foreign exchange. Excluding the impact of foreign exchange, net earnings increased 3.9% compared to last year.

CANADIAN OPERATIONS

Canadian Operations sales increased 3.2% to $285.9 million compared to $276.9 million last year and were up 1.9% on a same store basis. Food sales increased 4.9% and were up 3.6% on a same store basis with all banners contributing to the increase. Food inflation was approximately 4.0% in the quarter. General merchandise sales decreased 1.7% from last year and were down 3.0% on a same store basis largely due to the impact of warmer fall and winter weather and the Company's Top Categories initiative to improve inventory productivity by reallocating general merchandise selling space to products and services with longer-term upside potential in northern markets.

Gross profit dollars increased 8.2% driven by food sales growth and an increase in general merchandise gross profit rate. The improvement in the gross profit rate is largely due to the impact of the write-down of discontinued general merchandise inventory last year. Selling, operating and administrative expenses increased 15.6% compared to last year and were up 286 basis points as a percentage to sales. The increase in expenses was largely due to higher incentive plan expenses and share-based compensation expenses related to an increase in the Company's share price in the quarter. Higher administration and store-based staff costs were also a factor.

Canadian EBITDA[(2)] decreased 12.1% to $20.5 million compared to $23.4 million last year as food sales growth and margin improvement were more than offset by the cost factors noted above. EBITDA as a percentage to sales was 7.2% compared to 8.4% last year.

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

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International Operations sales increased 2.6% to $138.0 million compared to $134.5 million in the fourth quarter last year and were up 3.1% on a same store basis with both AC Value Center ("AC") and Cost-U-Less ("CUL") banners contributing to this gain. Continued improvement in the economic environment and strong "Black Friday" and holiday season sales in CUL markets were the leading positive factors. Sales growth at AC slowed compared to the first three quarters as the market share gains in key locations were partially offset by the impact of warmer weather on seasonal sales. Food sales increased 2.0% and were up 2.4% on a same store basis while general merchandise sales increased 7.1% and were up 7.5% on a same store basis.

Gross profit dollars increased 5.8% compared to last year driven by sales growth and an improvement in the gross profit rate largely due to a more favourable product sales blend. Selling, operating and administrative expenses increased 0.6% but were down 41 basis points as a percentage to sales as higher incentive plan costs related to earnings improvement and an increase in share price were offset by lower utility costs in both AC and CUL markets.

EBITDA(2) increased 21.9% to $10.6 million compared to $8.7 million last year and as a percentage to sales was 7.7% compared to 6.5% in the fourth quarter last year due to sales growth, gross profit rate improvement and well controlled expenses.

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the fourth quarter was 0.63:1 compared to 0.61:1 last year.

Working capital increased $10.5 million or 6.2% compared to the fourth quarter last year due to an increase in cash, accounts receivable and inventories partially offset by an increase in accounts payable. The increase is largely related to the impact of foreign exchange on the translation of International Operations assets and liabilities. The exchange rate used to translate the International Operations assets and liabilities into Canadian dollars at January 31, 2016 was 1.4080 compared to 1.2717 at January 31, 2015. Other factors include higher cash on-hand and the timing of deposits, an increase in accounts receivable largely related to higher big-ticket sales and an increase in accounts payable and accrued liabilities related to share-based compensation costs and incentive plan expenses.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,519,000 shares compared to 48,441,000 shares last year. The increase in basic shares outstanding is due to share options exercised. The weighted-average fully diluted shares outstanding for the quarter were 48,792,000 shares compared to 48,726,000 shares last year. The increase in fully diluted shares outstanding compared to last year is due to options granted under the Share Option Plan and shares granted under the Director Deferred Share Unit Plan. Further information on the Share Option Plan and the Director Deferred Share Unit Plan is provided in Note 6 and Note 12 to the Company's 2015 fourth quarter unaudited interim period condensed consolidated financial statements.

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

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

$ in thousands	**Three Months Ended January 31, 2016**	Three Months Ended January 31, 2015	Change	**Twelve Months Ended January 31, 2016**	Twelve Months Ended January 31, 2015	Change
Cash flows provided by (used in):						
Operating activities	**$ 52,318**	$ 55,765	$ (3,447)	**$ 132,987**	$ 115,086	$ 17,901
Investing activities	**(30,959)**	(17,998)	(12,961)	**(75,813)**	(50,312)	(25,501)
Financing activities	**(18,502)**	(42,163)	23,661	**(50,174)**	(58,950)	8,776
Effect of foreign exchange on cash	**479**	476	3	**1,114**	952	162
Net change in cash	**$ 3,336**	$ (3,920)	$ 7,256	**$ 8,114**	$ 6,776	$ 1,338

Cash flow from operating activities in the quarter decreased $3.4 million to $52.3 million compared to cash flow from operating activities of $55.8 million last year. The decrease is due to the change in non-cash working capital largely due to the change in inventory compared to the prior year. For the year, cash flow from operating activities increased $17.9 million or 15.6% to $133.0 million largely due to an increase in net earnings and change in other non-cash items related to the change in other long-term liabilities related to changes in accrued share-based compensation costs and defined benefit plan obligations. Partially offsetting these factors was the change in non-cash working capital largely related to the change in accounts receivable, inventory and accounts payable compared to the prior year.

Cash used for investing activities in the quarter increased to $31.0 million compared to $18.0 million last year largely due to accelerated capital expenditures as part of the Company's Top Markets initiative and an increase in intangible asset additions related to the purchase of point-of-sale, workforce management and merchandise management software. For the year, cash used for investing activities increased $25.5 million to $75.8 million mainly due to investments in major store renovations, store replacements, fixtures and equipment related to the Top Markets initiative which is described in the Strategy section and an investment in new software noted above. Further information on planned capital expenditures is included in the Outlook section.

Cash used in financing activities in the quarter was $18.5 million compared to $42.2 million last year. For the year, cash used in financing activities decreased $8.8 million to $50.2 million. The net change in long-term debt in the quarter and for the year is related to changes in amounts drawn on the Company's revolving loan facilities compared to last year. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 8 to the Company's 2015 fourth quarter unaudited interim period condensed consolidated financial statements.

Sources of Liquidity

The Canadian Operations have available committed, revolving loan facilities of $200.0 million that mature on December 31, 2018. These facilities are secured by certain assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the US$52.0 million loan facilities in the International Operations. At January 31, 2016, the Company had drawn $119.2 million on these facilities (January 31, 2015 - $78.4 million).

The Canadian Operations have US$70.0 million senior notes that mature on June 16, 2021. The senior notes have a fixed interest rate of 3.27% on US$55.0 million and a floating interest rate on US$15.0 million based on U.S. LIBOR plus a spread payable semi-annually. The senior notes are secured by certain assets of the Company and rank *pari passu* with the $200.0 million Canadian Operations loan facilities and the US$52.0 million loan facilities in the International Operations.

The International Operations have available committed, revolving loan facilities of US$52.0 million that mature on December 31, 2018. These facilities are secured by certain assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the $200.0 million Canadian Operations loan facilities. At January 31, 2016, the Company had not drawn on these facilities (January 31, 2015 - US$22.0 million).

In July 2015, the Company completed the refinancing of the US$30.0 million loan facility in the International Operations. The new committed, revolving loan facility provides the International Operations with up to US$40.0 million for working capital and general business purposes. The new loan facility, which matures October 31, 2020, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2016, the Company had drawn US$5.6 million on these facilities (January 31, 2015 - US$4.8 million).

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At January 31, 2016, the Company is in compliance with the financial covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants. Further information on the Company's long-term debt and loan facilities is provided in Note 8 to the Company's 2015 fourth quarter unaudited interim period condensed consolidated financial statements.

Cash flow from operating activities and unutilized capacity available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, sustaining and planned growth-related capital expenditures as well as anticipated dividends during 2016.

Loan Facilities Refinancing

The Company has, subject to the completion of a definitive agreement and customary closing conditions, refinanced the $200.0 million loan facility in the Canadian Operations that currently matures December 31, 2018. The new, increased, committed, revolving loan facilities, which will be provided by the lenders of the existing facilities, provides the Company with a $300.0 million revolving loan facility for working capital and general corporate purposes. The new loan facilities will mature April 29, 2021 and will bear a floating rate of interest based on Bankers Acceptances rates plus a spread or the Canadian prime rate. These facilities will be secured by certain assets of the Company and will rank *pari passu* with the US$70.0 million senior notes and the US$52.0 million loan facilities.

The Company has also, subject to the completion of a definitive agreement and customary closing conditions, refinanced the US$52.0 million loan facility in the International Operations that currently matures December 31, 2018. The new, committed, revolving loan facilities, which will be provided by the lenders of the existing facilities, provides the Company with a US$52.0 million revolving loan facility for working capital and general corporate purposes. The new loan facilities will mature April 29, 2021 and will bear a floating rate of interest based on LIBOR plus a spread. These facilities will be secured by certain assets of the Company and will rank *pari passu* with the US$70.0 million senior notes and the $200.0 million loan facilities.

The refinancing of these loan facilities is expected to close on or before April 29, 2016.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.31 per share to shareholders of record on March 31, 2016, to be paid on April 15, 2016.

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

OTHER HIGHLIGHTS

- Top Market projects were completed in St. Theresa Point, Manitoba, Kashechewan, Ontario and Iqaluit, Nunavut.
- A Giant Tiger ("GT") store opened on November 28 in Westlock, Alberta increasing our GT banner store count to 34.
- GT New Store Experience ("NSE") upgrades were completed in four stores in Manitoba.

STRATEGY

The Company is building a stronger store network with better product and service solutions that in turn, help our customers live better and help our business to grow consistently within all economic environments. From an investor standpoint, the Company is committed to delivering sustainable, superior total returns based on a commitment to downside risk management, the disciplined allocation of capital, cash flow optimization and dividend growth.

The Company's specific focus areas for the next three years are set out below:

1. Accelerating investment in the Company's "Top Markets" - our largest and highest sales and profit potential locations, which began in the second half of 2014. This is expected to generate higher same store earnings growth and will require more investment in store recruiting and training expense, combined with annual capital spending in the $85 million range until 2018, with some offset from working capital efficiencies.
2. More selling space dedicated to "Top Categories" which offer the highest everyday convenience and service value to our customers and which can be delivered in a superior way by the Company.
3. Ensuring that the way we work is customer driven and store-centric through more responsive and effective support to the Company's selling activities.
4. Ensuring that the Company continues to invest in innovative digital and physical logistics solutions that provide a superior link to our remote markets.
5. Selectively investing in new market growth through store acquisitions and new Giant Tiger store openings.

Further information on the Company's strategy is provided in the 2014 Annual Report.

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

OUTLOOK

As noted under the strategy section, the Company's principal focus continues to be led by its Top Markets and Top Categories initiatives. The successful execution of this work is expected to enable North West to capture market share and sales at a higher rate than general consumer income growth, while focusing on lower-risk products and services.

By region and banner, the outlook is favourable for Cost-U-Less in both the Caribbean and Pacific regions spurred by tourism and lower energy costs. Our Alaskan markets will face more challenging economic conditions in 2016 due to an expected reduction in the Permanent Fund Dividend and other restraint measures taken by the state government as a result of a sharp reduction in oil-based revenues. The western Canada retail environment is important for our GT business and we anticipate lower inflation within this region in 2016 compared to 2015 with modest growth in competitive selling space. In northern Canada, resource spending is expected to rebound slightly and the higher Universal Child Care Benefit ("UCCB") payments that started in July are expected to increase further under the new federal government together with more investment in northern public infrastructure, weighted towards 2017-2018.

Net capital expenditures for 2016 are expected to be approximately $90.0 million (2015 - $75.8 million), reflecting major store replacements, store renovations and investments in fixtures, equipment, staff housing and store-based warehouse expansions as part of the Company's Top Markets initiative. The Company also plans to open four Giant Tiger stores as well as complete "New Store Experience" upgrades in eight stores. In 2016, the Company will begin the implementation of a new point-of-sale and merchandise management system. This system is expected to be fully installed within 24 months and is expected to deliver gains in pricing, more effective promotions, inventory management and store productivity, all aligned with the Company's "Top" strategies. Store-based capital expenditures can be impacted by the completion of landlord negotiations, shipment of construction materials to remote markets, and weather-related delays and therefore, their actual amount and timing can fluctuate.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information:

Operating Results - Consolidated

	Fourth Quarter		**Third Quarter**		**Second Quarter**		**First Quarter**	
	92 days	**92 days**	**92 days**	**92 days**	**92 days**	**92 days**	**89 days**	**89 days**
($ in millions)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Sales	**$ 475.2**	$ 433.5	$ 458.0	$ 413.5	$ 448.7	$ 401.1	$ 414.0	$ 376.3
EBITDA	**35.1**	33.4	43.1	37.8	38.8	36.4	34.4	30.2
Earnings from operations	**23.4**	23.2	32.0	27.9	28.2	26.3	23.7	20.0
Net earnings	**15.2**	15.0	20.7	18.4	18.1	16.9	15.7	12.7
Net earnings per share:								
Basic	**0.31**	0.31	0.43	0.38	0.38	0.35	0.32	0.26
Diluted	**0.31**	0.31	0.43	0.37	0.37	0.35	0.32	0.26

Historically, the Company's first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting the holiday selling period. Weather conditions are often extreme and can affect sales in any quarter. Net earnings generally follow higher sales but can be dependent on changes in merchandise sales blend, promotional activity in key sales periods, markdowns to reduce excess inventories and other factors which can affect net earnings.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company in order to provide reasonable assurance that all material information relating to the Company is made known to management in a timely manner so that appropriate decisions can be made regarding public disclosure. Management is also responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance of achieving the control objectives. Additionally, management is necessarily required to use judgment in evaluating controls and procedures. Management used the Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission as the control framework in designing its internal controls over financial reporting. There have been no changes in the internal controls over financial reporting during the quarter ended January 31, 2016 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2016, and have not been applied in preparing the Company's 2015 fourth quarter unaudited interim period condensed consolidated financial statements. The Company is currently assessing the potential impacts of changes to these standards.

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.

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. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption.

Revenue Recognition In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. 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 to which the Company is entitled. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption.

Leases In January 2016, the IASB issued IFRS 16, *Leases* which replaces the current guidance in IAS 17 for operating and finance lease accounting. This standard requires lessees to recognize a lease liability representing the obligation for future lease payments and a right-of-use asset in the consolidated balance sheets for substantially all lease contracts, initially measured at the present value of unavoidable lease payments. These changes are effective for the Company's financial year ending January 31, 2020, with early adoption permitted provided IFRS 15, *Revenue from Contracts with Customers* is also applied.

NON-GAAP MEASURES

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

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

	Fourth Quarter		Year	
($ in thousands)	**2015**	2014	**2015**	2014
Net earnings	**$ 15,206**	$ 14,953	**$ 69,779**	$ 62,883
Add: Amortization	**11,640**	10,172	**44,026**	40,372
Interest expense	**1,741**	1,438	**6,210**	6,673
Income taxes	**6,486**	6,858	**31,332**	27,910
EBITDA	**$ 35,073**	$ 33,421	**$ 151,347**	$ 137,838

For EBITDA information by business segment, see Note 4, Segmented Information, in the notes to the Company's 2015 fourth quarter unaudited interim period condensed consolidated financial statements.

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

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the Company's 2015 fourth quarter unaudited interim period condensed consolidated financial statements and notes to the unaudited interim period condensed consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to March 15, 2016.

Forward-Looking Statements

This Quarterly Report, including Management's Discussion & Analysis (MD&A), contains forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, capital expenditures, dividends, debt levels, financial capacity, access to capital, and liquidity), on-going business strategies or prospects, and possible future action by the Company. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other risks are outlined in the Risk Management section of the 2014 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

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

Consolidated Balance Sheets

(unaudited, $ in thousands)	**January 31, 2016**	January 31, 2015
CURRENT ASSETS		
Cash	**$ 37,243**	$ 29,129
Accounts receivable	**79,373**	72,506
Inventories (Note 5)	**211,736**	204,812
Prepaid expenses	**7,229**	9,393
	335,581	315,840
NON-CURRENT ASSETS		
Property and equipment	**345,881**	311,692
Goodwill	**37,260**	33,653
Intangible assets	**32,610**	22,485
Deferred tax assets	**29,040**	28,074
Other assets	**13,423**	12,555
	458,214	408,459
TOTAL ASSETS	**$ 793,795**	$ 724,299
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 152,136**	$ 138,834
Current portion of long-term debt (Note 8)	**—**	6,271
Income tax payable (Note 11)	**3,365**	1,170
	155,501	146,275
NON-CURRENT LIABILITIES		
Long-term debt (Note 8)	**225,489**	195,125
Defined benefit plan obligation	**33,853**	36,556
Deferred tax liabilities	**2,630**	2,392
Other long-term liabilities	**18,710**	14,668
	280,682	248,741
TOTAL LIABILITIES	**436,183**	395,016
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**167,910**	167,460
Contributed surplus	**2,620**	2,831
Retained earnings	**156,664**	140,527
Accumulated other comprehensive income	**30,418**	18,465
TOTAL EQUITY	**357,612**	329,283
TOTAL LIABILITIES & EQUITY	**$ 793,795**	$ 724,299

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended January 31, 2016**	Three Months Ended January 31, 2015	**Twelve Months Ended January 31, 2016**	Twelve Months Ended January 31, 2015
SALES	**$ 475,212**	$ 433,504	**$ 1,796,035**	$ 1,624,400
Cost of sales	**(336,860)**	(311,666)	**(1,273,421)**	(1,160,182)
Gross profit	**138,352**	121,838	**522,614**	464,218
Selling, operating and administrative expenses (Note 9)	**(114,919)**	(98,589)	**(415,293)**	(366,752)
Earnings from operations	**23,433**	23,249	**107,321**	97,466
Interest expense (Note 10)	**(1,741)**	(1,438)	**(6,210)**	(6,673)
Earnings before income taxes	**21,692**	21,811	**101,111**	90,793
Income taxes (Note 11)	**(6,486)**	(6,858)	**(31,332)**	(27,910)
NET EARNINGS FOR THE PERIOD	**$ 15,206**	$ 14,953	**$ 69,779**	$ 62,883
NET EARNINGS PER SHARE				
Basic	**$ 0.31**	$ 0.31	**$ 1.44**	$ 1.30
Diluted	**$ 0.31**	$ 0.31	**$ 1.43**	$ 1.29
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**48,519**	48,441	**48,509**	48,432
Diluted	**48,792**	48,726	**48,783**	48,709

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended January 31, 2016**	Three Months Ended January 31, 2015	**Twelve Months Ended January 31, 2016**	Twelve Months Ended January 31, 2015
NET EARNINGS FOR THE PERIOD	**$ 15,206**	$ 14,953	**$ 69,779**	$ 62,883
Other comprehensive income, net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries	**8,874**	10,597	**11,953**	11,384
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans	**4,558**	(11,968)	**4,583**	(11,968)
Remeasurements of defined benefit plans of equity investee	**(15)**	30	**(15)**	30
Total other comprehensive income/(loss), net of tax	**13,417**	(1,341)	**16,521**	(554)
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 28,623**	$ 13,612	**$ 86,300**	$ 62,329

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total
Balance at January 31, 2015	$ 167,460	$ 2,831	$ 140,527	$ 18,465	$ 329,283
Net earnings for the period	—	—	69,779	—	69,779
Other comprehensive income	—	—	4,583	11,953	16,536
Other comprehensive income of equity investee	—	—	(15)	—	(15)
Comprehensive income	—	—	74,347	11,953	86,300
Equity settled share-based payments	—	124	—	—	124
Dividends (Note 7)	—	—	(58,210)	—	(58,210)
Issuance of common shares (Note 6)	450	(335)	—	—	115
	450	(211)	(58,210)	—	(57,971)
Balance at January 31, 2016	**$167,910**	**$ 2,620**	**$156,664**	**$ 30,418**	**$357,612**
Balance at January 31, 2014	$ 166,069	$ 3,528	$ 145,762	$ 7,081	$ 322,440
Net earnings for the period	—	—	62,883	—	62,883
Other comprehensive income	—	—	(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 7)	—	—	(56,180)	—	(56,180)
Issuance of common shares (Note 6)	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

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended January 31, 2016**	Three Months Ended January 31, 2015	**Twelve Months Ended January 31, 2016**	Twelve Months Ended January 31, 2015
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	**$ 15,206**	$ 14,953	**$ 69,779**	$ 62,883
Adjustments for:				
Amortization	**11,640**	10,172	**44,026**	40,372
Provision for income taxes (Note 11)	**6,486**	6,858	**31,332**	27,910
Interest expense (Note 10)	**1,741**	1,438	**6,210**	6,673
Equity settled share option expense (Note 12)	**185**	144	**386**	373
Taxes paid	**(6,519)**	(7,322)	**(30,659)**	(32,881)
Loss/(Gain) on disposal of property and equipment	**328**	101	**350**	(294)
	29,067	26,344	**121,424**	105,036
Change in non-cash working capital	**18,869**	27,085	**5,904**	9,225
Change in other non-cash items	**4,382**	2,336	**5,659**	825
Cash from operating activities	**52,318**	55,765	**132,987**	115,086
Investing activities				
Purchase of property and equipment	**(22,856)**	(16,762)	**(63,179)**	(49,101)
Intangible asset additions	**(8,122)**	(1,387)	**(12,804)**	(3,228)
Proceeds from disposal of property and equipment	**19**	151	**170**	2,017
Cash used in investing activities	**(30,959)**	(17,998)	**(75,813)**	(50,312)
Financing activities				
Net change in long-term debt (Note 8)	**(1,338)**	(26,704)	**13,081**	78,572
Repayments of long-term debt (Note 8)	**—**	—	**—**	(75,950)
Dividends (Note 7)	**(15,041)**	(14,047)	**(58,210)**	(56,180)
Interest paid	**(1,980)**	(1,674)	**(5,160)**	(5,713)
Issuance of common shares	**(143)**	262	**115**	321
Cash used in financing activities	**(18,502)**	(42,163)	**(50,174)**	(58,950)
Effect of changes in foreign exchange rates on cash	**479**	476	**1,114**	952
NET CHANGE IN CASH	**3,336**	(3,920)	**8,114**	6,776
Cash, beginning of period	**33,907**	33,049	**29,129**	22,353
CASH, END OF PERIOD	**$ 37,243**	$ 29,129	**$ 37,243**	$ 29,129

See accompanying notes to condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on March 15, 2016.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2014 Annual Report which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

- Liabilities for share-based payment plans (Note 12)
- Defined benefit pension plan
- Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to the Company's 2014 annual audited consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are set out in the Company's 2014 annual audited consolidated financial statements. These policies have been applied to all periods presented in these condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Future Standards and Amendments The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2016, and have not been applied in preparing these condensed consolidated financial statements. The Company is currently assessing the potential impacts of changes to these standards.

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.

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. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption.

Revenue Recognition In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. 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 to which the Company is entitled. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption.

Leases In January 2016, the IASB issued IFRS 16, *Leases* which replaces the current guidance in IAS 17 for operating and finance lease accounting. This standard requires lessees to recognize a lease liability representing the obligation for future lease payments and a right-of-use asset in the consolidated balance sheets for substantially all lease contracts, initially measured at the present value of unavoidable lease payments. These changes are effective for the Company's financial year ending January 31, 2020, with early adoption permitted provided IFRS 15, *Revenue from Contracts with Customers* is also applied.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Company.

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

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

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

4. SEGMENTED INFORMATION

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

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

	Three Months Ended January 31, 2016	Three Months Ended January 31, 2015	**Twelve Months Ended January 31, 2016**	Twelve Months Ended January 31, 2015
Sales				
Canada	**$ 285,861**	$ 276,895	**$ 1,089,898**	$ 1,042,168
International	**189,351**	156,609	**706,137**	582,232
Consolidated	**$ 475,212**	$ 433,504	**$ 1,796,035**	$ 1,624,400
Earnings before amortization, interest and income taxes				
Canada	**$ 20,542**	$ 23,358	**$ 98,276**	$ 100,896
International	**14,531**	10,063	**53,071**	36,942
Consolidated	**$ 35,073**	$ 33,421	**$ 151,347**	$ 137,838
Earnings from operations				
Canada	**$ 12,160**	$ 15,777	**$ 66,495**	$ 70,594
International	**11,273**	7,472	**40,826**	26,872
Consolidated	**$ 23,433**	$ 23,249	**$ 107,321**	$ 97,466

Supplemental information

	January 31, 2016	January 31, 2015
Assets		
Canada	**$ 501,268**	$ 455,032
International (1)	**292,527**	269,267
Consolidated	**$ 793,795**	$ 724,299

(1) International total assets includes goodwill of $37,260 (January 31, 2015 - $33,653).

	Three Months Ended January 31, 2016		Three Months Ended January 31, 2015		**Twelve Months Ended January 31, 2016**		Twelve Months Ended January 31, 2015	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 19,631**	**$ 3,225**	$ 12,421	$ 4,341	**$ 55,503**	**$ 7,676**	$ 36,455	$ 12,646
Amortization	**$ 8,382**	**$ 3,258**	$ 7,581	$ 2,591	**$ 31,781**	**$ 12,245**	$ 30,302	$ 10,070

5. INVENTORIES

Included in cost of sales for the three months ended January 31, 2016, the Company recorded $209 (three months ended January 31, 2015 – $2,751) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the twelve months ended January 31, 2016, the Company recorded $1,392 (twelve months ended January 31, 2015 – $4,223) for the write-down of period end inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the twelve months ended January 31, 2016 or 2015.

6. SHARE CAPITAL

Authorized – The Company has an unlimited number of shares.

	Shares	**Consideration**
Balance at January 31, 2015	**48,497,199**	**$ 167,460**
Issued under option plans (Note 12)	**26,142**	**450**
Balance at January 31, 2016	**48,523,341**	**$ 167,910**

Balance at January 31, 2014	48,425,787	$ 166,069
Issued under option plans (Note 12)	71,412	1,391
Balance at January 31, 2015	48,497,199	$ 167,460

7. DIVIDENDS

	Twelve Months Ended January 31, 2016	Twelve Months Ended January 31, 2015
Dividends paid in cash	**$ 58,210**	$ 56,180
Dividends per share	**$ 1.20**	$ 1.16

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

8. LONG-TERM DEBT

	January 31, 2016	January 31, 2015
Current:		
Notes payable	**$ —**	$ 72
Finance lease liabilities	**—**	55
Revolving loan facilities (1)	**—**	6,144
	$ —	$ 6,271
Non-current:		
Revolving loan facilities (1)	**$ 7,946**	$ —
Revolving loan facilities (2)	**—**	27,977
Revolving loan facilities (3)	**119,193**	78,367
Senior notes (4)	**98,350**	88,779
Finance lease liabilities	**—**	2
	$ 225,489	$ 195,125
Total	**$ 225,489**	$ 201,396

(1) In July 2015, the Company completed the refinancing of the US$30,000 loan facility maturing October 31, 2015. The new increased, committed, revolving U.S. loan facility provides the International Operations with up to US$40,000 for working capital requirements and general business purposes. This facility matures October 31, 2020, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2016, the International Operations had drawn US$5,643 (January 31, 2015 – US$4,831) on this facility.

(2) The US$52,000 committed, revolving loan facilities in the International Operations mature December 31, 2018 and bear interest at U.S. 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 $200,000 Canadian Operations loan facilities. At January 31, 2016, the Company had drawn US$NIL (January 31, 2015 – US$22,000) on these facilities.

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to $200,000 for working capital 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 U.S. 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.

9. EMPLOYEE COSTS

	Three Months Ended January 31, 2016	Three Months Ended January 31, 2015	**Twelve Months Ended January 31, 2016**	Twelve Months Ended January 31, 2015
Wages, salaries and benefits including bonus and termination	**$ 65,092**	$ 56,001	**$ 239,766**	$ 217,288
Post employment benefits	**1,703**	1,405	**7,084**	6,169
Share-based compensation (Note 12)	**5,280**	2,984	**13,750**	5,948

10. INTEREST EXPENSE

	Three Months Ended January 31, 2016	Three Months Ended January 31, 2015	**Twelve Months Ended January 31, 2016**	Twelve Months Ended January 31, 2015
Interest on long-term debt	**$ 1,508**	$ 1,472	**$ 5,355**	$ 6,143
Fair value movement of derivative financial instruments in effective fair value hedging relationships	**—**	—	**—**	173
Net interest on defined benefit plan obligation	**313**	197	**1,250**	781
Interest income	**(26)**	(48)	**(120)**	(150)
Less: interest capitalized	**(54)**	(183)	**(275)**	(274)
Interest expense	**$ 1,741**	$ 1,438	**$ 6,210**	$ 6,673

11. INCOME TAXES

The estimated effective income tax rate for the three months ended January 31, 2016 is 29.9% (three months ended January 31, 2015 – 31.4%) and for the twelve months ended January 31, 2016 is 31.0% (twelve months ended January 31, 2015 – 30.7%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings. Changes in the effective income tax rate primarily reflect changes in earnings of the Company's subsidiaries across various tax jurisdictions.

12. SHARE-BASED COMPENSATION

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

The total expense relating to share-based payment plans for the three months ended January 31, 2016 is $5,280 (three months ended January 31, 2015 - $2,984) and for the twelve months ended January 31, 2016 is $13,750 (twelve months ended January 31, 2015 – $5,948). The carrying amount of the Company's share-based compensation arrangements including PSU, share option, DDSU and EDSU plans are recorded on the consolidated balance sheets as follows:

	January 31, 2016	January 31, 2015
Accounts payable and accrued liabilities	**$ 10,067**	$ 5,572
Other long-term liabilities	**12,472**	8,439
Contributed surplus	**1,052**	1,262
Total	**$ 23,591**	$ 15,273

Performance Share Units

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

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 PSUs for the three months ended January 31, 2016 are $2,723 (three months ended January 31, 2015 – $474) and for the twelve months ended January 31, 2016 are $6,027 (twelve months ended January 31, 2015 – $2,138).

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, 2016. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over five years and are exercisable over a period of seven to ten years. The share option compensation cost recorded for the three months ended January 31, 2016 are $2,025 (three months ended January 31, 2015 – $1,720) and for the twelve months ended January 31, 2016 are $5,408 (twelve months ended January 31, 2015 – $2,119).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	2015	2014
Fair value of options granted	**$ 2.17 to $ 3.42**	$ 3.14 to $ 4.43
Exercise price	**$ 25.63**	$ 24.79
Dividend yield	**4.6%**	4.6%
Annual risk-free interest rate	**0.4% to 0.7%**	1.1% to 1.6%
Expected share price volatility	**19.9%**	23.7%

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

	2015	2014
Dividend yield	**4.1%**	4.4%
Annual risk-free interest rate	**0.4% to 0.7%**	0.4% to 0.6%
Expected share price volatility	**18.8% to 24.7%**	16.7% to 19.6%

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

The following continuity schedules reconcile the movement in outstanding options during the twelve months ended January 31:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	2015	2014	**2015**	2014
Outstanding options, beginning of period	**1,207,995**	896,694	**391,876**	526,380
Granted	**491,096**	355,795	**81,461**	36,631
Exercised	**(39,427)**	(21,028)	**(43,137)**	(169,035)
Forfeited or cancelled	**—**	(23,466)	**(30,155)**	(2,100)
Outstanding options, end of period	**1,659,664**	1,207,995	**400,045**	391,876
Exercisable at end of period	**223,575**	73,675	**176,867**	121,333

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	2015	2014	**2015**	2014
Outstanding options, beginning of period	**$ 22.79**	$ 21.86	**$ 20.88**	$ 19.10
Granted	**25.63**	24.79	**25.63**	24.79
Exercised	**21.14**	20.62	**19.44**	16.22
Forfeited or cancelled	**—**	22.88	**22.52**	19.11
Outstanding options, end of period	**$ 23.67**	$ 22.79	**$ 21.86**	$ 20.88
Exercisable at end of period	**$ 18.30**	$ 18.73	**$ 19.32**	$ 18.92

Options outstanding at January 31, 2016 have an exercise price range of $15.25 to $25.63 and a weighted-average remaining contractual life of 4.5 years.

Director Deferred Share Unit Plan

This 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 DDSU plan. Each deferred share unit entitles the holder to receive a share of the Company. The DDSUs 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 DDSUs, 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 DDSUs.

Compensation expense is measured based on the fair market value at each reporting date. Subsequent changes in the fair value of the DDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The DDSU plan compensation cost recorded for the three months ended January 31, 2016 is $388 (three months ended January 31, 2015 – $654) and for the twelve months ended January 31, 2016 is $1,587 (twelve months ended January 31, 2015 – $930). The total number of DDSUs outstanding at January 31, 2016 is 180,152 (January 31, 2015 – 171,443). There were 22,895 DDSUs exercised during the twelve months ended January 31, 2016 (twelve months ended January 31, 2015 – 3,500).

Executive Deferred Share Unit Plan

The EDSU plan was implemented to assist executive management to meet the Company's minimum share ownership guidelines. This plan provides for the granting of deferred share units to those executives who elect to receive a portion of their annual short-term incentive payment in EDSUs, subject to plan limits. Effective April 2016, participants will be credited with EDSUs based on the amount of their short-term incentive payment allocated to the plan and the fair market value of the Company's shares. The EDSUs are exercisable at any time after the executive ceases to be an employee of the Company, but no later than December 31 of the first calendar year commencing after the holder ceased to be an employee. Each EDSU entitles the holder to a cash payment equal to the market value of the equivalent number of the Company's shares, determined based on their closing price on the TSX on the trading day preceding the exercise date.

Total compensation expense is measured at the time of the grant. Subsequent changes in the fair value of the EDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. There have been no EDSUs issued under this plan.

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 cost recorded for the three months ended January 31, 2016 is $144 (three months ended January 31, 2015 – $136) and for the twelve months ended January 31, 2016 is $728 (twelve months ended January 31, 2015 – $761).

13. SEASONALITY

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

14. SUBSIDIARIES AND JOINT VENTURES

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

The following table comprises the carrying amounts of the Company's financial instruments. All of the Company's financial instruments are carried at amortized cost using the effective interest rate method.

These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

		Assets (Liabilities) carried at amortized cost	
	Maturity	Carrying amount	Fair value
Cash	Short-term	$ 37,243	$ 37,243
Accounts receivable	Short-term	79,373	79,373
Other financial assets	Long-term	1,525	1,525
Accounts payable and accrued liabilities	Short-term	(152,136)	(152,136)
Long-term debt	Long-term	(225,489)	(228,377)

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

- The fair value of short-term financial instruments approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of debt with fixed interest rates in an effective fair value hedging relationship 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.

16. EMPLOYEE BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities is assessed at each reporting period. During the three and twelve months ended January 31, 2016, the Company recorded net actuarial gains on its defined benefit plan obligation of $4,583 in other comprehensive income, which was recognized immediately in retained earnings (three and twelve months ended January 31, 2015 - net losses of $11,968).

These remeasurements were primarily due to changes in the discount rate used to measure the defined benefit obligation and variability in asset returns. The discount rate used to determine the benefit obligation for the defined benefit pension plan at January 31, 2016 was 4.00% (January 31, 2015 - 3.50%).

The defined benefit obligation and fair value of plan assets for the Company's pension and other post-retirement plans were as follows:

	January 31, 2016	January 31, 2015
Defined benefit obligation	**(110,282)**	(118,854)
Fair value of plan assets	**76,429**	82,298
Defined benefit plan obligation, funded status	**(33,853)**	(36,556)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS

On March 15, 2016, the Board of Directors declared a dividend of $0.31 per common share payable April 15, 2016 to shareholders of record on March 31, 2016.

18. COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform with the presentation adopted in the current year. Other long-term liabilities increased to $14,668 on the consolidated balance sheets for the year-ended January 31, 2015 compared to $10,714 previously reported. A corresponding adjustment has been made in accounts payable and accrued liabilities.