THE NORTH WEST COMPANY INC.

Report to Shareholders

First Quarter 2013

2013 FIRST QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the first quarter ended April 30, 2013. Sales decreased 0.3% to $364.5 million compared to a 5.6% increase in sales in the first quarter last year. Sales growth in our International Operations was offset by lower sales in our Canadian Operations due to the impact of store closures in the fourth quarter of 2012. The impact of one extra day of sales last year as a result of February 29 was also a factor. Sales excluding the foreign exchange impact were down 1.1% but were up 0.8%[1] on a same store basis.

First quarter net earnings decreased 2.5% to $12.9 million compared to last year's first quarter net earnings of $13.2 million as earnings growth in the Canadian Operations was more than offset by lower earnings in the International Operations. Diluted earnings per share were flat to last year at $0.27 per share.

The Board of Directors has approved a quarterly dividend of $0.28 per share to shareholders of record on June 28, 2013.

On behalf of the Board of Directors:

H. Sanford Riley
Chairman

Edward S. Kennedy
President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the period ended April 30, 2013 and the audited annual consolidated financial statements and accompanying notes included in the 2012 Annual Report. In the first quarter of 2013, the Company implemented the revised IAS 19, Employee Benefits accounting standard which required the restatement of certain 2012 comparative numbers. Further information on the impact of new accounting standards is provided in the Accounting Standards Implemented in 2013 section of this report or Note 3 in the Company's 2013 first quarter unaudited interim condensed consolidated financial statements.

CONSOLIDATED RESULTS

First quarter consolidated sales decreased 0.3% to $364.5 million compared to a 5.6% increase in sales to $365.5 million in the first quarter last year. Sales growth in our International Operations was offset by lower sales in our Canadian Operations due to the impact of store closures in the fourth quarter of 2012. The impact of one extra day of operations last year as a result of February 29 was also a factor. Excluding the foreign exchange impact, sales decreased 1.1% but were up 0.8%[1] on a same store basis. Food sales[1] decreased 0.1% but were up 1.5% on a same store basis and general merchandise sales[1] decreased 6.7% and were down 2.5% on a same store basis.

[1] Excluding the foreign exchange impact

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

	2013	2012
Food	**78.6%**	77.8%
General merchandise	**17.0%**	18.1%
Other*	**4.4%**	4.1%

* Other sales includes fuel, fur and financial service revenues

Earnings from Operations[2] increased 0.5% to $20.5 million compared to $20.4 million in the first quarter last year as gross profit rate improvements were partially offset by higher selling, operating and administrative expenses. The gross profit rate improvement is primarily due to better inventory and shrink management and favourable product mix changes. Selling, operating and administrative expenses increased 1.8% compared to last year and were up 47 basis points as a percentage to sales. This was largely due to expenses related to a new Cost-U-Less store in Barbados and higher share-based compensation costs. The increase in share-based compensation expense is related to a $2.28 per share or 9.9% increase in the share price in the quarter. Excluding the foreign exchange impact, earnings from operations increased 0.1% compared to last year.

Trading profit[2] or earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 0.9% to $30.0 million compared to $29.7 million last year as gains within Canadian Operations more than offset a decrease in the International Operations. Excluding the foreign exchange impact, trading profit increased 0.5% and was 8.3% as a percentage to sales compared to 8.1% last year.

Income tax expense increased 7.7% to $5.8 million compared to $5.3 million last year due to a higher effective tax rate in the International Operations. The increase in the effective tax rate in the International Operations is due to the variability of income earned across the various tax jurisdictions. The consolidated effective tax rate in the quarter was 30.8% compared to 28.8% last year.

Net earnings decreased 2.5% to $12.9 million and diluted earnings per share were flat to last year at $0.27 per share as earnings growth in the Canadian Operations was more than offset by lower earnings in the International Operations.

CANADIAN OPERATIONS

Canadian Operations sales for the quarter decreased 3.8% to $242.3 million compared to $252.0 million last year but were up 0.3% on a same store basis after a 4.7% same store sales increase in the first quarter last year. Sales growth was affected by store closures in late 2012 and the extra day of operations last year as a result of February 29. Food sales decreased 2.8% but were up 1.4% on a same store basis with all banners contributing to the gain. Very cold spring weather conditions significantly extended the winter road season, providing customers with longer access to lower cost urban competition that in turn, impacted sales. Food inflation was minimal in the quarter. General merchandise sales decreased 9.9% from last year and were down 3.6% on a same store basis due in part to the impact of unseasonably cool temperatures on apparel and seasonal categories and lower discretionary income-driven spending.

Gross profit dollars increased 1.0% due to rate improvements resulting from better inventory and shrink management and favourable product mix changes. These gross profit rate improvements were partially offset by higher markdowns to clear underperforming general merchandise categories. Selling, operating and administrative expenses decreased 1.0% but increased 67 basis points as a percentage to sales. The decrease in expenses is largely due to the store closures partially offset by an increase in share-based compensation costs.

[2] See Non-GAAP Measures Section of Management's Discussion & Analysis

Canadian trading profit increased 5.4% to $24.4 million compared to $23.2 million last year and was 10.1% to sales compared to 9.2% of sales in the first quarter last year driven by gross profit rate improvements and lower expenses.

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International sales increased 5.1% to $120.0 million compared to $114.2 million in the first quarter last year led by new store sales and same store sales growth of 1.7%. Food sales increased 4.8% and were up 1.6% on a same store basis. General merchandise sales increased 7.7% and were up 2.3% on a same store basis.

Gross profit dollars were up 0.4% as sales growth was largely offset by a lower gross profit rates. Gross profit rates were down compared to the first quarter last year due to more aggressive promotional pricing and price reductions in certain key locations to protect and grow market share. Selling, operating and administrative expenses increased 5.5% and were up 10 basis points as a percent to sales mainly due to expenses related to the new Cost-U-Less store in Barbados.

Trading profit decreased to $5.5 million compared to $6.6 million last year and as a percent to sales was 4.6% compared to 5.8% in the first quarter last year.

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the quarter was 0.69:1 compared to 0.67:1 last year. The debt-to-equity ratio at January 31, 2013 was 0.55:1.

Working capital decreased $33.1 million or 18.3% compared to the first quarter last year largely due to the increase in the current portion of long-term debt. The increase in the current portion of long-term debt is due to the International Operations loan facilities that mature December 31, 2013. Excluding the impact of the maturing loan facilities, working capital increased $10.1 million or 5.5% compared to last year largely due to an increase in inventories related to new stores, an increase in cash, lower income tax payable as a result of instalments made in the quarter, partially offset by an increase in accounts payable related to the timing of payments.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,393,000 shares compared to 48,378,000 shares last year. The increase in basic shares outstanding is due to share options exercised. Further information on the share option plan is provided in Note 6 and Note 12 to the 2013 first quarter unaudited interim condensed consolidated financial statements. The weighted-average fully diluted shares outstanding for the quarter were 48,647,000 compared to 48,546,000 shares last year. The increase in the fully diluted shares outstanding compared to last year is due to options granted under the Share Option Plan and shares granted under the Director Deferred Share Unit Plan.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

$ in thousands	**Three Months April 30, 2013**	Three Months April 30, 2012	Change
Cash flows from (used in):			
Operating Activities	**$ (14,592)**	$ 12,568	$ (27,160)
Investing Activities	**(7,592)**	(7,968)	376
Financing Activities	**25,027**	2,422	22,605
Net change in cash	**$ 2,843**	$ 7,022	$ (4,179)

Cash flow used in operating activities in the quarter decreased $27.2 million to $14.6 million compared to cash flow provided from operating activities of $12.6 million last year. The change in cash flow from operating activities is primarily due to an increase in income tax instalments paid in the quarter. As previously announced, the Company paid the remaining balance of the Canadian accrued income taxes for 2012 of approximately $19 million in the first quarter of 2013. The Company expects that its monthly Canadian income tax instalments in 2013 will be higher than the monthly instalments paid in 2012 as a result of the timing of the final payment for the 2012 tax year. During the remainder of the year the Company expects to pay Canadian and International income tax instalments of approximately $26 million compared to $12 million paid in the last three quarters of 2012. Actual instalments paid may vary from anticipated payments due to a variety of factors including changes in expected or actual earnings across various tax jurisdictions. The change in non-cash working capital of $17.5 million compared to $11.0 million last year is largely related to an increase in inventory partially offset by the change in accounts payable compared to the prior year.

Cash used for investing activities in the quarter decreased to $7.6 million compared to $8.0 million last year due to a difference in the timing of capital investments. Net capital expenditures for 2013 are projected to be approximately $50 million. Further information on planned capital expenditures is included in the Outlook section.

Cash provided from financing activities in the quarter was $25.0 million compared to $2.4 million last year. The change in long-term debt in the quarter is due to an increase in amounts drawn on the Company's revolving loan facilities compared to last year largely related to the payment of income tax instalments as previously noted. Further information on long-term debt is provided in Note 8 to the 2013 first quarter unaudited interim condensed consolidated financial statements. The Company paid dividends of $13.5 million, an increase of 7.7%, compared to $12.6 million in the first quarter last year.

Sources of Liquidity

The Canadian Operations have available committed, extendible, revolving loan facilities of $170.0 million that mature on December 31, 2015. These facilities are secured by a floating charge on the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the US$52.0 million loan facilities. At April 30, 2013, the Company had drawn $84.0 million on these facilities (April 30, 2012 – $77.5 million).

The International Operations have available a committed, revolving loan facility of US$30.0 million that matures October 31, 2015 and is secured by certain accounts receivable and inventories of the International Operations. At April 30, 2013, the Company had drawn US$4.3 million on these facilities (April 30, 2012 – US$1.2 million).

The International Operations also have available committed, revolving loan facilities of US$52.0 million that mature on December 31, 2013. These facilities are secured by a floating charge against the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the $170.0 million loan facilities. At April 30, 2013, the Company had drawn US$44.0 million on these facilities (April 30, 2012 – US$42.0 million). The Company has begun the process of refinancing these loan facilities and does not anticipate any difficulty in securing financing however, economic conditions can change which may negatively impact the availability of credit, interest rates and the scope of financing covenants.

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 April 30, 2013, the Company is in compliance with all covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants.

Cash flow from operating activities and unutilized capacity available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, sustaining and planned growth-related capital expenditures as well as anticipated dividends during 2013.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.28 per share to shareholders of record on June 28, 2013, to be paid on July 15, 2013.

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.

QUARTERLY HIGHLIGHTS

- A new Cost-U-Less store opened in Welches St. Thomas, Barbados on February 23, 2013.
- A new Northern store opened in York Landing, Manitoba on March 15, 2013.
- A new store opened in Kasabonika, Ontario on March 18, 2013 replacing a temporary facility in use since fire destroyed the original store on April 22, 2011.

OUTLOOK

Merchandise productivity and operational excellence are expected to continue to provide margin upside within many of the remote markets served by the Company's Alaskan, northern Canada and Cost-U-Less stores while helping to fund price reductions in high growth potential, everyday needs categories. Consumer incomes and spending momentum is expected to remain muted in 2013, depending on the degree of improvement within the natural resource and tourism sectors. The Company's Giant Tiger stores are expected to come under sales and gross margin pressure due to changes in the competitive environment from existing retailers and new entrants. Offsetting gains are expected from lower perishable product waste, improved general merchandise inventory productivity, lower markdowns and the closure of underperforming stores in fiscal 2012.

Net capital expenditures for 2013 are expected to be approximately $50 million (2012 – $48.8 million) reflecting the opening and acquisition of new stores, major store replacement projects, energy efficiency projects, and the final phase of a transportation management system. Actual expenditures depend upon the completion of negotiations and shipment of construction materials to remote markets and therefore, the actual amount and timing of expenditures can fluctuate as it has over the past few years. The Company expects its Canadian monthly income tax instalments to increase in 2013 based on a normalized level of taxable income in 2012 and the recognition of a portion of the deferred limited partnership income. During the remainder of the year the Company expects to pay Canadian and International income tax instalments of approximately $26 million compared to $12 million paid in the last three quarters of 2012. Actual instalments paid may vary from anticipated payments due to a variety of factors including changes in expected or actual earnings across various tax jurisdictions. These income tax payments will reduce cash flow from operating activities in 2013.

The adoption of revised accounting standards for defined benefit pension plans in IAS 19, *Employee Benefits*, has resulted in the restatement of the 2012 comparative numbers in the 2013 consolidated financial statements. The impact of the changes in this standard will result in a decrease in 2012 restated net earnings of approximately $1.3 million. Further information on new accounting standards is provided in Note 3 in the Company's 2013 first quarter unaudited interim condensed consolidated financial statements.

QUARTERLY RESULTS OF OPERATIONS

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

Operating Results – Consolidated

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	89 days	90 days	92 days	92 days	92 days	92 days	92 days	92 days
($ in millions)	**2013**	**2012**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Sales	$364.5	$365.5	$386.6	$397.6	$377.7	$378.4	$383.8	$372.9
Trading profit	30.0	29.7	32.1	30.6	35.7	34.5	36.6	32.4
Net earnings	12.9	13.2	15.8	13.5	17.5	17.0	18.3	15.0
Net earnings per share:								
Basic	0.27	0.27	0.33	0.28	0.36	0.35	0.38	0.31
Diluted	0.27	0.27	0.32	0.27	0.36	0.35	0.38	0.31

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company in order to provide reasonable assurance that all material information relating to the Company is made known to management in a timely manner so that appropriate decisions can be made regarding public disclosure. Management is also responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance of achieving the control objectives. Additionally, management is necessarily required to use judgment in evaluating controls and procedures. There have been no changes in the internal controls over financial reporting during the quarter ended April 30, 2013 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2013

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

Employee benefits The revised IAS 19, *Employee Benefits* issued by the IASB eliminates the option to defer the recognition of actuarial gains and losses on defined benefit plans. It amended the calculation of plan assets and benefit obligations, streamlined the presentation of changes in defined benefit plans and required enhanced disclosure. The requirement to calculate the expected return on plan assets with the interest rate used to calculate the defined benefit plan obligation was the most significant for the Company. The implementation of this standard in the Company's 2013 financial statements required the restatement of the 2012 comparative numbers.

The impact for the year ended January 31, 2013 is a decrease in net earnings of $1.260 million comprised of an increase to interest expense of $1.170 million, an increase to selling, operating and administrative expenses of $0.550 million and a deferred tax recovery of $0.460 million. The impact for the three months ended April 30, 2012 is a decrease in net earnings of $0.315 million comprised of an increase to interest expense of $0.292 million, an increase to selling, operating and administrative expenses of $0.138 million and a deferred tax recovery of $0.115 million.

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

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

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

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

Financial Instruments – The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset based on how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with only two categories: amortized cost and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial liabilities. This standard is effective for the Company's financial year beginning February 1, 2015. The Company is currently assessing the impact of changes to this standard.

NON-GAAP MEASURES

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

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

	First Quarter	
($ in thousands)	**2013**	2012
Net earnings	**$ 12,910**	$ 13,238
Add: Amortization	**9,465**	9,313
Interest expense	**1,880**	1,851
Income taxes	**5,754**	5,344
Trading profit	**$ 30,009**	$ 29,746

For trading profit information by business segment, see Note 5, Segmented Information, in the notes to the unaudited interim condensed consolidated financial statements.

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

	First Quarter	
($ in thousands)	**2013**	2012
Net earnings	**$ 12,910**	$ 13,238
Add: Interest expense	**1,880**	1,851
Income taxes	**5,754**	5,344
Earnings from operations	**$ 20,544**	$ 20,433

For earnings from operations information by business segment, see Note 5, Segmented Information, in the notes to the unaudited interim condensed consolidated financial statements.

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the unaudited interim condensed consolidated financial statements and notes to the unaudited interim condensed consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to June 5, 2013.

Forward-Looking Statements

This Quarterly Report, including Management's Discussion & Analysis (MD&A), contains forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, dividends, debt levels, financial capacity, access to capital, and liquidity), on-going business strategies or prospects, and possible future action by the Company, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of the 2012 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

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

Consolidated Balance Sheets

(unaudited, $ in thousands)	**April 30, 2013**	April 30, 2012	January 31, 2013
CURRENT ASSETS			
Cash	**$ 41,518**	$ 34,006	$ 38,675
Accounts receivable	**65,812**	70,093	70,040
Inventories (Note 4)	**191,379**	181,571	187,200
Prepaid expenses	**10,370**	8,662	7,981
	309,079	294,332	303,896
NON-CURRENT ASSETS			
Property and equipment	**271,260**	266,602	274,027
Goodwill	**26,372**	25,879	26,162
Intangible assets	**19,867**	15,859	20,136
Deferred tax assets	**15,168**	9,130	12,904
Other assets	**13,649**	13,381	14,269
	346,316	330,851	347,498
TOTAL ASSETS	**$ 655,395**	$ 625,183	$ 651,394
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	**$ 116,313**	$ 105,422	$ 130,501
Current portion of long-term debt (Note 8)	**44,693**	1,762	40,417
Income tax payable (Note 11)	**614**	6,635	19,266
	161,620	113,819	190,184
NON-CURRENT LIABILITIES			
Long-term debt (Note 8)	**158,663**	187,974	122,937
Defined benefit plan obligation (Note 3)	**28,849**	28,030	28,431
Deferred tax liabilities	**1,905**	2,455	2,026
Other long-term liabilities	**8,005**	9,137	11,566
	197,422	227,596	164,960
TOTAL LIABILITIES	**359,042**	341,415	355,144
SHAREHOLDERS' EQUITY			
Share capital (Note 6)	**165,816**	165,133	165,358
Contributed surplus	**3,239**	3,355	3,485
Retained earnings	**127,585**	116,651	128,224
Accumulated other comprehensive income	**(287)**	(1,371)	(817)
TOTAL EQUITY	**296,353**	283,768	296,250
TOTAL LIABILITIES & EQUITY	**$ 655,395**	$ 625,183	$ 651,394

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

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended April 30, 2013**	Three Months Ended April 30, 2012
SALES	**$ 364,474**	$ 365,517
Cost of sales	**(259,532)**	(262,160)
Gross profit	**104,942**	103,357
Selling, operating and administrative expenses (Notes 3, 9)	**(84,398)**	(82,924)
Earnings from operations	**20,544**	20,433
Interest expense (Notes 3, 10)	**(1,880)**	(1,851)
Earnings before income taxes	**18,664**	18,582
Income taxes (Note 11)	**(5,754)**	(5,344)
NET EARNINGS FOR THE PERIOD	**$ 12,910**	$ 13,238
NET EARNINGS PER SHARE		
Basic	**$ 0.27**	$ 0.27
Diluted	**$ 0.27**	$ 0.27
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)		
Basic	**48,393**	48,378
Diluted	**48,647**	48,546

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

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended April 30, 2013**	Three Months Ended April 30, 2012
NET EARNINGS FOR THE PERIOD	**$ 12,910**	$ 13,238
Other comprehensive income/(expense):		
Items that may be reclassified to net earnings:		
Exchange differences on translation of foreign controlled subsidiaries, net of tax	**530**	(776)
Items that will not be subsequently reclassified to net earnings:		
Remeasurements of defined benefit plans, net of tax	**—**	—
Total other comprehensive income, net of tax	**530**	(776)
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 13,440**	$ 12,462

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total
Balance at January 31, 2013	$ 165,358	$ 3,485	$ 128,224	$ (817)	$ 296,250
Net earnings for the period	—	—	12,910	—	12,910
Other comprehensive income	—	—	—	530	530
Comprehensive income	—	—	12,910	530	13,440
Equity settled share-based payments	—	114	—	—	114
Dividends (Note 7)	—	—	(13,549)	—	(13,549)
Issuance of common shares (Note 6)	458	(360)	—	—	98
	458	(246)	(13,549)	—	(13,337)
Balance at April 30, 2013	**$165,816**	**$ 3,239**	**$127,585**	**$ (287)**	**$296,353**
Balance at January 31, 2012	$ 165,133	$ 3,180	$ 115,991	$ (595)	$ 283,709
Net earnings for the period	—	—	13,238	—	13,238
Other comprehensive income	—	—	—	(776)	(776)
Comprehensive income	—	—	13,238	(776)	12,462
Equity settled share-based payments	—	175	—	—	175
Dividends (Note 7)	—	—	(12,578)	—	(12,578)
	—	175	(12,578)	—	(12,403)
Balance at April 30, 2012	$ 165,133	$ 3,355	$ 116,651	$ (1,371)	$ 283,768

(1) Accumulated Other Comprehensive Income

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

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	Three Months Ended April 30, 2013	Three Months Ended April 30, 2012
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings for the year	**$ 12,910**	$ 13,238
Adjustments for:		
Amortization	**9,465**	9,313
Provision for income taxes (Note 11)	**5,754**	5,344
Interest expense (Note 10)	**1,880**	1,851
Equity settled share option expense (Note 12)	**114**	175
Taxes paid	**(26,636)**	(4,250)
Loss/(Gain) on disposal of property and equipment	**30**	(37)
	3,517	25,634
Change in non-cash working capital	**(17,545)**	(11,046)
Change in other non-cash items	**(564)**	(2,020)
Cash from operating activities	**(14,592)**	12,568
Investing activities		
Purchase of property and equipment	**(5,286)**	(6,024)
Intangible asset additions	**(2,335)**	(2,135)
Proceeds from disposal of property and equipment	**29**	191
Cash from investing activities	**(7,592)**	(7,968)
Financing activities		
Net Increase in long-term debt (Note 8)	**39,094**	15,598
Dividends (Note 7)	**(13,549)**	(12,578)
Interest paid	**(616)**	(598)
Issuance of common shares	**98**	—
Cash from financing activities	**25,027**	2,422
NET CHANGE IN CASH	**2,843**	7,022
Cash, beginning of period	**38,675**	26,984
CASH, END OF PERIOD	**$ 41,518**	$ 34,006

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on June 5, 2013.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (IASB).

These condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2012 Annual Report which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

- Derivative financial instruments
- Financial instruments designated at fair value
- Liabilities for share-based payment plans
- Defined benefit pension plan

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, the significant accounting policies are set out in the Company's 2012 audited annual consolidated financial statements. These policies have been applied to all periods presented in these condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

Company. Implementation of this standard in these financial statements required restatement of the 2012 comparative numbers.

The impact for the year ended January 31, 2013 is a decrease in net earnings of $1,260 comprised of an increase to interest expense of $1,170, an increase to selling, operating and administrative expenses of $550, and a deferred tax recovery of $460. The impact for the three months ended April 30, 2012 is a decrease in net earnings of $315 comprised of an increase to interest expense of $292, an increase to selling, operating and administrative expenses of $138, and a deferred tax recovery of $115.

In addition to IAS 19r, the Company adopted the following standards and amendments effective February 1, 2013: IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests In Other Entities*; IAS 28r, *Investment in Associates and Joint Ventures*; IAS 1, *Presentation of Financial Statements*; and IFRS 13, *Fair Value Measurement*. These amendments had no material impact on the Company's results from operations or financial condition. Additional interim disclosures required by IFRS 13 have been included in Note 15 - *Financial Instruments*. Further annual disclosure will be included in the Company's 2013 annual 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, 2014, and have not been applied in preparing these consolidated financial statements:

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

Financial Instruments The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset based on how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with only two categories: amortized cost and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial liabilities. This standard is effective for the Company's financial year beginning February 1, 2015. The Company is currently assessing the impact of changes to this standard.

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. INVENTORIES

Included in inventories recognized as an expense for the three months ended April 30, 2013, the Company recorded $520 (three months ended April 30, 2012 - $520) 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 three months ended April 30, 2013 or 2012.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. 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 April 30, 2013	Three Months Ended April 30, 2012
Sales		
Canada	**$ 242,330**	$ 251,986
International	**122,144**	113,531
Consolidated	**$ 364,474**	$ 365,517
Earnings before amortization, interest and income taxes		
Canada	**$ 24,417**	$ 23,160
International	**5,592**	6,586
Consolidated	**$ 30,009**	$ 29,746
Earnings from operations		
Canada	**$ 17,139**	$ 15,842
International	**3,405**	4,591
Consolidated	**$ 20,544**	$ 20,433

Supplemental information:

	April 30, 2013	April 30, 2012	January 31, 2013
Assets			
Canada	**$ 440,403**	$ 437,332	$ 444,848
International (1)	**214,992**	187,851	206,546
Consolidated	**$ 655,395**	$ 625,183	$ 651,394

(1) International total assets includes goodwill of $26,372 (April 30, 2012 - $25,879; January 31, 2013 -$26,162).

	Three Months Ended April 30, 2013		Three Months Ended April 30, 2012	
	Canada	**International**	Canada	International
Purchase of property and equipment	**$ 3,912**	**$ 1,374**	$ 4,888	$ 1,136
Amortization	**$ 7,278**	**$ 2,187**	$ 7,318	$ 1,995

6. SHARE CAPITAL

Authorized – The Company has an unlimited number of shares.

	Shares	Consideration
Balance at January 31, 2013	**48,388,721**	**$ 165,358**
Issued under option plans (Note 12)	**24,599**	**$ 458**
Balance at April 30, 2013	**48,413,320**	**$ 165,816**

Balance at January 31, 2012	48,378,000	$ 165,133
Issued under option plans (Note 12)	—	$ —
Balance at April 30, 2012	48,378,000	$ 165,133

7. DIVIDENDS

	April 30, 2013	April 30, 2012
Dividends paid in cash	**$ 13,549**	$ 12,578
Dividends per share	**$ 0.28**	$ 0.26

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

	April 30, 2013	April 30, 2012	January 31, 2013
Current:			
Revolving loan facilities (1)	**$ —**	$ 1,185	$ —
Notes payable	**167**	264	199
Finance lease liabilities	**209**	313	250
Revolving loan facilities (2)	**44,317**	—	39,968
	$ 44,693	$ 1,762	$ 40,417
Non-current:			
Revolving loan facilities (1)	**$ 4,305**	$ —	$ 718
Revolving loan facilities (2)	**—**	41,513	—
Revolving loan facilities (3)	**83,991**	77,483	52,499
Senior notes (4)	**70,087**	68,523	69,461
Notes payable	**157**	318	189
Finance lease liabilities	**123**	137	70
	$ 158,663	$ 187,974	$ 122,937
Total	**$ 203,356**	$ 189,736	$ 163,354

(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 April 30, 2013, the International Operations had drawn US$4,274 (April 30, 2012 – US$1,199; January 31, 2013 - US$719) on this facility.

(2) The US$52,000 committed, revolving loan facilities mature December 31, 2013 and bear interest at LIBOR plus a spread. The loan facilities are secured by a floating first charge against the assets of the Company and rank *pari passu* with the US$70,000 senior notes and the $170,000 Canadian Operations loan facilities. At April 30, 2013, the Company had drawn US$44,000 (April 30, 2012 – US $42,000; January 31, 2013 - $40,000) on this facility.

(3) Canadian Operations have an extendible, committed, revolving loan facility of $170,000 for working capital requirements and general business purposes. This facility, which matures on December 31, 2015 is secured by a floating charge against the assets of the Company and rank *pari passu* with the US$70,000 senior notes and the US$52,000 loan facilities in International Operations. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The US$70,000 senior notes mature on June 15, 2014 and bear interest at a rate of 6.55%, payable semi-annually. The notes are secured by a floating charge against the assets of the Company and rank *pari passu* with the $170,000 Canadian Operations loan facilities and the US$52,000 loan facilities in International Operations. The Company has entered into interest rate swaps resulting in floating interest costs on US$28,000 of its senior notes (April 30, 2012 – US$28,000; January 31, 2013 - US$28,000). The interest rate swaps mature June 15, 2014.

9. EMPLOYEE COSTS

	Three Months Ended April 30, 2013	Three Months Ended April 30, 2012
Wages, salaries and benefits including bonus	**$ 48,128**	$ 48,173
Retirement benefit expense	**1,734**	1,649
Share-based compensation (Note 12)	**3,240**	2,534

10. INTEREST EXPENSE

	Three Months Ended April 30, 2013	Three Months Ended April 30, 2012
Interest on long-term debt	**$ 1,736**	$ 1,662
Fair value movement of derivative financial instruments in effective fair value hedging relationships	**10**	17
Interest on pension plan liabilities	**281**	310
Interest income	**(59)**	(65)
Less: interest capitalized	**(88)**	(73)
Interest expense	**$ 1,880**	$ 1,851

11. INCOME TAXES

The estimated effective income tax rate for the three months ended April 30, 2013 was 30.8% (April 30, 2012 - 28.8%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings. The increase primarily reflects changes in each individual subsidiaries' earnings across various tax jurisdictions.

12. SHARE-BASED COMPENSATION

The Company offers the following share-based payment plans: Restricted Share Units (RSU's); Performance Share Units (PSU's); Share Options; Director Deferred Share Units (DSU's); 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 April 30, 2013 was $3,240 (three months ended April 30, 2012 - $2,534). 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:

	April 30, 2013	April 30, 2012
Accounts payable and accrued liabilities	**$ 10,166**	$ 5,240
Other long-term liabilities	**1,875**	2,515
Contributed surplus	**1,669**	1,786
Total	**$ 13,710**	$ 9,541

Restricted Share Units and Performance Share Units

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

Each RSU entitles the participant to receive a cash payment equal to the market value of the number of notional shares granted at the end of the vesting period. This plan was discontinued in July 2011. All outstanding grants are scheduled to vest no later than January 31, 2014. The RSU account for each participant includes the value of dividends from the Company as if reinvested in additional RSU's. 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 PSU's. 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 RSU's and PSU's for the three months ended April 30, 2013 are $1,860 (three months ended April 30, 2012 - $1,380).

Share Option Plan

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

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 April 30, 2013. Fair value of these 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 April 30, 2013 is $593 (three months ended April 30, 2012 - $386).

The fair values for options issued during the three months ended April 30 were calculated based on the following assumptions:

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

The assumptions used to measure options at April 30 were as follows:

	2013	2012
Dividend yield	**4.4%**	4.7%
Annual risk-free interest rate	**1.0% to 1.3%**	1.5% to 1.7%
Expected share price volatility	**20.1% to 25.5%**	26.2% to 28.8%

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

The following continuity schedules reconcile the movement in outstanding options during the three months ended April 30:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	2013	2012	**2013**	2012
Outstanding options, beginning of period	**580,015**	315,812	**556,932**	548,486
Granted	**316,679**	328,677	**67,580**	63,177
Exercised	**—**	—	**(58,966)**	—
Forfeited or cancelled	**—**	(12,389)	**—**	—
Outstanding options, end of period	**896,694**	632,100	**565,546**	611,663
Exercisable at end of period	**—**	—	**72,000**	—

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	2013	2012	**2013**	2012
Outstanding options, beginning of period	**$ 21.12**	$ 20.34	**$ 18.07**	$ 17.45
Granted	**23.21**	21.86	**23.21**	21.86
Exercised	**—**	—	**15.62**	—
Forfeited or cancelled	**—**	—	**—**	—
Outstanding options, end of period	**$ 21.86**	$ 21.12	**$ 18.94**	$ 17.92
Exercisable at end of period	**$ —**	$ —	**$ 18.80**	$ —

Options outstanding at April 30, 2013 have an exercise price range of $15.25 to $23.21 and a weighted-average remaining contractual life of 6.9 years.

Director Deferred Share Unit Plan

The Director DSU Plan is available for independent Directors. Participants are credited with deferred share units based on the portion of fees each participant elects to allocate to the DSU. Each deferred share unit entitles the holder to receive a share of the Company. The deferred share units 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 deferred share units, 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 deferred share units.

Compensation expense is measured based on the fair market value at each reporting date. The deferred share unit plan compensation recorded for the three months ended April 30, 2013 is an expense of $415 (three months ended April 30, 2012 –$441). The total number of deferred share units outstanding at April 30, 2013 is 140,837 (April 30, 2012 – 123,006). There were NIL deferred share units exercised during the three months ended April 30, 2013 (three months ended April 30, 2012 – NIL).

Employee Share Purchase Plan

The Employee Share Purchase Plan provides participants with the opportunity to acquire an ownership interest in the Company. The Company contributes an additional 33% of the amount invested, subject to a maximum annual contribution of 2% of the participants' base salary. The plan is administered by a trustee who uses the funds received to purchase shares on the TSX on behalf of the participating employees. These shares are registered in the name of the plan trustee on behalf of the participants. The Company's contribution to the plan is recorded as compensation expense. The employee share purchase plan compensation recorded for the three months ended April 30, 2013 is $372 (three months ended April 30, 2012 – $327).

13. SEASONALITY

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

14. SUBSIDIARIES AND JOINT VENTURES

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

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

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

15. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

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

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

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

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

		Assets (Liabilities) carried at amortized cost		Assets (Liabilities) carried at fair value
	Maturity	Carrying amount	Fair value	Carrying amount
Cash	Short-term	$ 41,518	$ 41,518	$ —
Accounts receivable	Short-term	65,812	65,812	—
Other financial assets	Long-term	3,660	3,660	—
Accounts payable and accrued liabilities	Short-term	(116,313)	(116,313)	—
Financial derivative instruments(1)	Long-term	—	—	793
Current portion of long-term debt	Short-term	(44,693)	(44,693)	—
Long-term debt(1)	Long-term	(159,456)	(160,407)	—

(1) These items total $158,663 which comprise the carrying amount of debt presented as long-term (Note 8).

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

- The fair value of short-term financial instruments approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of 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.

The portion of long-term debt in an effective fair value hedging relationship and derivative financial instruments are classified as Level 2, as they are primarily derived from observable interest rates. There would be no significant effect on net income if one or more of the assumptions used to fair value these instruments were changed to other reasonably possible alternatives. No financial instruments have been classified as Level 1 or Level 3.

Financial derivative instruments
The Company holds interest rate swaps with a notional value of US$28,000 (April 30, 2012 - US$28,000) to hedge a portion of the fixed rate senior notes due in 2014. Under the terms of the swaps, the Company receives fixed interest and pays floating rate interest at a fixed spread above three-month LIBOR.

16. SUBSEQUENT EVENTS

On June 5, 2013 the Board of Directors declared a dividend of $0.28 per common share payable July 15, 2013 to shareholders of record on June 28, 2013.

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.