
THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended April 30, 2015



2015 FIRST QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the first quarter ended April 30, 2015. Sales increased 10.0% to \$414.0 million compared to the first quarter last year led by strong same store sales growth across all of our banners and the impact of foreign exchange on the translation of International Operations sales. Consolidated sales, excluding the impact of foreign exchange, increased 5.2% and were up 5.0%¹ on a same store basis.

First quarter net earnings increased 23.8% to \$15.7 million and diluted earnings per share were \$0.32 per share compared to \$0.26 per share last year with both the Canadian and International Operations contributing to the net earnings growth. The impact of foreign exchange on the translation of International Operations earnings was also a factor. Excluding the impact of foreign exchange, net earnings increased 18.7% compared to last year.

The Board of Directors has approved a quarterly dividend of \$0.29 per share to shareholders of record on June 30, 2015.

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 period condensed consolidated financial statements for the period ended April 30, 2015 and the audited annual consolidated financial statements and accompanying notes included in the 2014 Annual Report.

CONSOLIDATED RESULTS

First quarter consolidated sales increased 10.0% to \$414.0 million driven by 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 5.2% and were up 5.0%¹ on a same store basis. Food sales¹ increased 5.8% and were up 4.9% on a same store basis with all banners contributing to the sales growth. General merchandise sales¹ increased 6.6% and were up 5.3% on a same store basis as sales growth in Canadian Operations more than offset lower sales in International Operations.

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

	2015	2014
Food	80.3%	79.4%
General merchandise	16.3%	16.4%
Other*	3.4%	4.2%

* 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 operations² increased 18.4% to \$23.7 million compared to \$20.0 million in the first quarter last year. Gross profit dollars were up 9.7% driven by sales growth and the impact of foreign exchange as the gross profit rate decreased 8 basis points compared to last year. Selling, operating and administrative expenses increased 7.7% but were down 49 basis points as a percentage to sales. The expense increase was substantially due to the impact of foreign exchange on the translation of International Operations expenses and higher short-term incentive plan costs. These factors were partially offset by lower share-based compensation costs and the impact of employee head office restructuring costs last year. Excluding the impact of foreign exchange, earnings from operations increased 13.4% to last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA²) increased 14.0% to \$34.4 million led by strong EBITDA growth in the International Operations and the impact of foreign exchange. Excluding the impact of foreign exchange, EBITDA was up 9.6% compared to last year and as a percentage to sales was 8.5% compared to 8.1% last year.

Interest expense decreased \$0.5 million or 25.9% to \$1.4 million largely due to lower interest rates on the senior notes that were refinanced in the 2014 second quarter.

Income tax expense increased \$1.2 million to \$6.5 million and the consolidated effective tax rate was 29.4% compared to 29.8% last year primarily due to variability of income earned across the various tax jurisdictions in the International Operations.

Net earnings increased \$3.0 million or 23.8% to \$15.7 million and diluted earnings per share was \$0.32 per share compared to \$0.26 per share last year with both the Canadian and International Operations contributing to the net earnings growth. The impact of foreign exchange on the translation of International Operations earnings was also a factor. Excluding the impact of foreign exchange, net earnings increased 18.7% compared to last year.

CANADIAN OPERATIONS

Canadian Operations sales increased 5.5% to \$254.5 million compared to \$241.2 million last year and were up 4.1% on a same store basis. Food sales increased 5.8% and were up 3.4% on a same store basis with all banners contributing to the increase. Food inflation was approximately 3.0% in the quarter. General merchandise sales increased 9.3% from last year and were up 7.2% on a same store basis led by sales gains in rural and urban markets and clearance activity in northern markets related to the Company's Top Categories initiative to reallocate selling space to products and services with higher upside potential.

Gross profit dollars increased 5.5% driven by sales growth as the gross profit rate was flat to last year. Selling, operating and administrative expenses increased 6.3% compared to last year and were up 18 basis points as a percentage to sales. The increase in expenses was due in part to store-based staff costs and higher short-term incentive plan costs. These factors were partially offset by lower share-based compensation costs this year and the impact of head office restructuring costs last year.

Canadian EBITDA⁽²⁾ increased 2.5% to \$24.4 million compared to \$23.8 million last year as the impact of higher gross profit more than offset the increase in expenses. EBITDA as a percentage to sales was 9.6% compared to 9.9% last year.

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International Operations sales increased 4.6% to \$127.8 million compared to \$122.2 million in the first quarter last year and were up 6.6% on a same store basis led by strong same store sales growth in the Cost-U-Less ("CUL") banner. Food sales increased 5.6% and were up 7.6% on a same store basis with both banners contributing to the sales growth. Better in-store execution and a continuing improvement in the economic environment in CUL markets were factors contributing to the sales gain. General merchandise sales decreased 2.6% and were down 1.6% on a same store basis largely due to lower sales in big-ticket categories. The same store sales gain was partially offset by lower sales in our wholesale division and the impact of the closure of a store in Kodiak, Alaska last year.

Gross profit dollars increased 5.0% compared to last year driven by sales growth and a modest improvement in the gross profit rate largely due to product blend changes. Selling, operating and administrative expenses decreased 2.3% and were down 151 basis points as a percentage to sales. The decrease in expenses is due in part to lower utility costs this year and the impact of head office restructuring costs and the store closure last year. These factors were partially offset by higher short-term incentive plan expense.

(1) Excluding foreign exchange impact

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

EBITDA⁽²⁾ increased 39.0% to \$8.0 million compared to \$5.8 million last year due to higher gross profit and lower expenses. EBITDA as a percentage to sales was 6.3% compared to 4.7% in the first quarter last year.

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the quarter was 0.63:1 compared to 0.65:1 last year. The debt-to-equity ratio at January 31, 2015 was 0.61:1.

Working capital increased \$56.9 million or 47.5% compared to the first quarter last year due to a decrease in the current portion of long-term debt as a result of refinancing the senior notes in the Canadian Operations. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 8 to the Company's 2015 first quarter unaudited interim period condensed consolidated financial statements. Excluding the impact of the current portion of long-term debt, working capital decreased \$16.3 million or 8.3% compared to last year. The decrease in working capital is largely due to a decrease in cash and inventories and an increase in accounts payable. The decrease in cash is mainly due to a reduction in deposits in-transit in the Canadian Operations resulting from the implementation of electronic deposit technology. The decrease in inventories is related to the clearance of discontinued under-performing general merchandise inventory in the northern Canada stores and lower food inventories. The increase in trade accounts payable is related to the timing of payments. These factors were partially offset by the impact of foreign exchange on the translation of International Operations working capital. The exchange rate used to translate International Operations assets and liabilities into Canadian dollars at April 30, 2015 was 1.2119 compared to 1.0957 at April 30, 2014.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,499,000 shares compared to 48,426,000 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 48,805,000 shares compared to 48,719,000 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 first quarter unaudited interim period condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

\$ in thousands	Three Months ended April 30, 2015	Three Months ended April 30, 2014	Change
Cash flows provided by (used in):			
Operating Activities	\$ 11,742	5,626	\$ 6,116
Investing Activities	(9,378)	(5,102)	(4,276)
Financing Activities	(5,262)	12,618	(17,880)
Net change in cash	\$ (2,898)	\$ 13,142	\$ (16,040)

Cash flow from operating activities in the quarter increased \$6.1 million to \$11.7 million compared to cash flow from operating activities of \$5.6 million last year. The increase is due to higher net earnings and the change in non-cash working capital related to the change in inventories and accounts payable compared to the prior year.

(1) Excluding foreign exchange impact

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

Cash used for investing activities in the quarter increased to \$9.4 million compared to \$5.1 million last year largely due to investments in major store renovations, store replacements, fixtures and equipment related to the Top40 Markets initiative described in the Strategy section. Further information on planned capital expenditures is included in the Outlook section.

Cash used in financing activities in the quarter was \$5.3 million compared to cash provided from financing activities of \$12.6 million last year. The net change in long-term debt is related to a decrease 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 first 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 April 30, 2015, the Company had drawn \$85.4 million on these facilities (April 30, 2014 - \$87.6 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 US LIBOR plus a spread payable semi-annually. The senior notes are secured by certain assets of the Company and rank *pari passu* with the \$200.0 million Canadian Operations loan facilities and the US\$52.0 million loan facilities 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 April 30, 2015, the Company had drawn US\$26.0 million on these facilities (April 30, 2014 - US\$34.0 million).

The International Operations also have available a committed, revolving loan facility of US\$30.0 million that matures October 31, 2015 and is secured by certain accounts receivable and inventories of the International Operations. At April 30, 2015, the Company had drawn US\$2.8 million on these facilities (April 30, 2014 - US\$6.3 million). Further information on the refinancing of this facility is provided in the International Operations Loan Facility Refinancing section.

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, 2015, the Company is in compliance with the financial covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants. Further information on the Company's long-term debt and loan facilities is provided in Note 8 to the Company's 2015 first 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 2015.

International Operations Loan Facility Refinancing

The Company has, subject to the completion of a definitive agreement and customary closing conditions, refinanced the US\$30.0 million revolving loan facility in the International Operations that matures on October 31, 2015. The new, increased committed revolving loan facility provides the Company with a US\$40.0 million revolving loan facility for working capital and general corporate purposes. The new loan facility will mature October 31, 2020 and will bear a floating rate of interest based on US LIBOR plus a spread. The loan facility will be secured by certain accounts receivable and inventories of the International Operations.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of \$0.29 per share to shareholders of record on June 30, 2015, to be paid on July 15, 2015.

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

- The Company opened a convenience store in Rossville, Manitoba on March 19, 2015.
- The Company opened a new Northern store in Red Sucker Lake, Manitoba on April 6, 2015 replacing a smaller store.

STRATEGY

The Company's strategies are aligned with a total return approach to investment performance based on a commitment to the disciplined allocation of capital, cash flow optimization and superior returns to investors. The following priorities focus on capturing market share and improving earnings before interest, income taxes, depreciation and amortization (EBITDA⁽²⁾) growth within what is assumed to be a modest growth economic environment over the next three to five years:

1. Accelerating investment in the Company's "Top 40" sales and profit potential markets, which began in the second half of 2014. This is expected to result in higher store recruiting and training expense, combined with annual capital spending in the \$65 million range until 2018, with some offset from working capital efficiencies.
2. Capturing market share by focusing on "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 while right sizing under-performing, low upside categories.
3. Ensuring that the way we work is customer driven and store-centric by increasing support to the Company's selling activities while streamlining lower value work.
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 continues to focus on its Top 40 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, the economic outlook remains promising in the Caribbean and Pacific regions, spurred by an accelerating recovery in tourism spending and lower energy costs. In Alaska, spending momentum is tied to an improving U.S. outlook and lower fuel prices with an offset from reductions in State of Alaska program spending. Margin pressures in western Canada are expected to continue to ease as retailers pass through inflationary cost increases. Income contraction in Alberta and Saskatchewan has not adversely affected the Company's Giant Tiger discount banner. Consumer income in northern Canada is expected to remain constrained by limited resource or government infrastructure investment, with some upside from lower fuel prices.

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

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

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information:

Operating Results - Consolidated

(\$ in millions)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	89 days	89 days	92 days	92 days	92 days	92 days	92 days	92 days
	2015	2014	2014	2013	2014	2013	2014	2013
Sales	\$ 414.0	\$ 376.3	\$ 433.5	\$ 402.9	\$ 413.5	\$ 387.2	\$ 401.1	\$ 388.6
EBITDA	34.4	30.2	33.4	34.4	37.8	36.5	36.4	37.4
Net earnings	15.7	12.7	15.0	15.9	18.4	17.4	16.9	18.1
Net earnings per share:								
Basic	0.32	0.26	0.31	0.33	0.38	0.36	0.35	0.37
Diluted	0.32	0.26	0.31	0.32	0.37	0.36	0.35	0.37

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 changes in merchandise sales blend, markdown activity in key sales periods 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 April 30, 2015 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 first quarter unaudited interim period condensed consolidated financial statements:

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

At its meeting on April 28, 2015, the IASB tentatively decided to defer the effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018.

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

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. In July 2014, the IASB issued the complete version of IFRS 9 which is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption. The Company is currently assessing the potential impact of changes to this standard.

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:

(\$ in thousands)	First Quarter	
	2015	2014
Net earnings	\$ 15,699	\$ 12,679
Add: Amortization	10,758	10,218
Interest expense	1,446	1,952
Income taxes	6,533	5,371
EBITDA	\$ 34,436	\$ 30,220

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

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

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

(\$ in thousands)	First Quarter	
	2015	2014
Net earnings	\$ 15,699	\$ 12,679
Add: Interest expense	1,446	1,952
Income taxes	6,533	5,371
Earnings from operations	\$ 23,678	\$ 20,002

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

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

Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the Company's 2015 first 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 June 10, 2015.

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 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 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, 2015	April 30, 2014	January 31, 2015
CURRENT ASSETS			
Cash	\$ 26,231	\$ 35,495	\$ 29,129
Accounts receivable	70,912	65,426	72,506
Inventories (Note 5)	202,569	208,084	204,812
Prepaid expenses	10,447	11,139	9,393
	310,159	320,144	315,840
NON-CURRENT ASSETS			
Property and equipment	305,006	280,672	311,692
Goodwill	32,071	28,996	33,653
Intangible assets	22,127	20,915	22,485
Deferred tax assets	28,767	20,456	28,074
Other assets	11,940	10,869	12,555
	399,911	361,908	408,459
TOTAL ASSETS	\$ 710,070	\$ 682,052	\$ 724,299
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 128,047	\$ 123,714	\$ 142,788
Current portion of long-term debt (Note 8)	3,438	76,728	6,271
Income tax payable (Note 11)	2,165	48	1,170
	133,650	200,490	150,229
NON-CURRENT LIABILITIES			
Long-term debt (Note 8)	201,533	131,749	195,125
Defined benefit plan obligation	37,542	18,776	36,556
Deferred tax liabilities	2,250	1,849	2,392
Other long-term liabilities	8,656	9,021	10,714
	249,981	161,395	244,787
TOTAL LIABILITIES	383,631	361,885	395,016
SHAREHOLDERS' EQUITY			
Share capital (Note 6)	167,527	166,163	167,460
Contributed surplus	2,793	3,591	2,831
Retained earnings	142,161	144,398	140,527
Accumulated other comprehensive income	13,958	6,015	18,465
TOTAL EQUITY	326,439	320,167	329,283
TOTAL LIABILITIES & EQUITY	\$ 710,070	\$ 682,052	\$ 724,299

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, \$ in thousands, except per share amounts)	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014
SALES	\$ 414,038	\$ 376,257
Cost of sales	(296,155)	(268,825)
Gross profit	117,883	107,432
Selling, operating and administrative expenses (Note 9)	(94,205)	(87,430)
Earnings from operations	23,678	20,002
Interest expense (Note 10)	(1,446)	(1,952)
Earnings before income taxes	22,232	18,050
Income taxes (Note 11)	(6,533)	(5,371)
NET EARNINGS FOR THE PERIOD	\$ 15,699	\$ 12,679
NET EARNINGS PER SHARE		
Basic	\$ 0.32	\$ 0.26
Diluted	\$ 0.32	\$ 0.26
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)		
Basic	48,499	48,426
Diluted	48,805	48,719

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, \$ in thousands)	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014
NET EARNINGS FOR THE PERIOD	\$ 15,699	\$ 12,679
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified to net earnings:		
Exchange differences on translation of foreign controlled subsidiaries	(4,507)	(1,066)
Total other comprehensive loss, net of tax	(4,507)	(1,066)
COMPREHENSIVE INCOME FOR THE PERIOD	\$ 11,192	\$ 11,613

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	—	—	15,699	—	15,699
Other comprehensive income	—	—	—	(4,507)	(4,507)
Comprehensive income	—	—	15,699	(4,507)	11,192
Equity settled share-based payments	—	(14)	—	—	(14)
Dividends (Note 7)	—	—	(14,065)	—	(14,065)
Issuance of common shares (Note 6)	67	(24)	—	—	43
	67	(38)	(14,065)	—	(14,036)
Balance at April 30, 2015	\$167,527	\$ 2,793	\$142,161	\$ 13,958	\$326,439
Balance at January 31, 2014	\$ 166,069	\$ 3,528	\$ 145,762	\$ 7,081	\$ 322,440
Net earnings for the period	—	—	12,679	—	12,679
Other comprehensive income	—	—	—	(1,066)	(1,066)
Comprehensive income	—	—	12,679	(1,066)	11,613
Equity settled share-based payments	—	98	—	—	98
Dividends (Note 7)	—	—	(14,043)	—	(14,043)
Issuance of common shares (Note 6)	94	(35)	—	—	59
	94	63	(14,043)	—	(13,886)
Balance at April 30, 2014	\$ 166,163	\$ 3,591	\$ 144,398	\$ 6,015	\$ 320,167

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited, \$ in thousands)	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings for the period	\$ 15,699	\$ 12,679
Adjustments for:		
Amortization	10,758	10,218
Provision for income taxes (Note 11)	6,533	5,371
Interest expense (Note 10)	1,446	1,952
Equity settled share option (recovery)/expense (Note 12)	(14)	98
Taxes paid	(10,961)	(9,537)
(Gain)/Loss on disposal of property and equipment	(88)	144
	23,373	20,925
Change in non-cash working capital	(10,985)	(14,915)
Change in other non-cash items	(646)	(384)
Cash from operating activities	11,742	5,626
Investing activities		
Purchase of property and equipment	(8,448)	(4,765)
Intangible asset additions	(1,066)	(376)
Proceeds from disposal of property and equipment	136	39
Cash used in investing activities	(9,378)	(5,102)
Financing activities		
Net change in long-term debt (Note 8)	9,397	27,293
Dividends (Note 7)	(14,065)	(14,043)
Interest paid	(637)	(691)
Issuance of common shares	43	59
Cash used in financing activities	(5,262)	12,618
NET CHANGE IN CASH	(2,898)	13,142
Cash, beginning of period	29,129	22,353
CASH, END OF PERIOD	\$ 26,231	\$ 35,495

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 June 10, 2015.

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:

- Derivative financial instruments (Note 15)
- Financial instruments designated at fair value (Note 15)
- 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

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:

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

At its meeting on April 28, 2015, the IASB tentatively decided to defer the effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018.

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

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. The IASB issued the complete version of IFRS 9 in July 2014. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption. The Company is currently assessing the potential 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION

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

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014
Sales		
Canada	\$ 254,502	\$ 241,201
International	159,536	135,056
Consolidated	\$ 414,038	\$ 376,257
Earnings before amortization, interest and income taxes		
Canada	\$ 24,372	\$ 23,786
International	10,064	6,434
Consolidated	\$ 34,436	\$ 30,220
Earnings from operations		
Canada	\$ 16,623	\$ 16,217
International	7,055	3,785
Consolidated	\$ 23,678	\$ 20,002

Supplemental information

	April 30, 2015	April 30, 2014	January 31, 2015
Assets			
Canada	\$ 452,246	\$ 447,218	\$ 455,032
International ⁽¹⁾	257,824	234,834	269,267
Consolidated	\$ 710,070	\$ 682,052	\$ 724,299

(1) International total assets includes goodwill of \$32,071 (April 30, 2014 - \$28,996).

	Three Months Ended April 30, 2015		Three Months Ended April 30, 2014	
	Canada	International	Canada	International
Purchase of property and equipment	\$ 7,828	\$ 620	\$ 3,292	\$ 1,473
Amortization	\$ 7,749	\$ 3,009	\$ 7,569	\$ 2,649

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INVENTORIES

Included in cost of sales for the three months ended April 30, 2015, the Company recorded \$289 (three months ended April 30, 2014 – \$564) 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, 2015 or 2014.

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)	2,613	67
Balance at April 30, 2015	48,499,812	\$ 167,527

Balance at January 31, 2014	48,425,787	\$ 166,069
Issued under option plans (Note 12)	4,380	94
Balance at April 30, 2014	48,430,167	\$ 166,163

7. DIVIDENDS

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014
Dividends paid in cash	\$ 14,065	\$ 14,043
Dividends per share	\$ 0.29	\$ 0.29

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LONG-TERM DEBT

	April 30, 2015	April 30, 2014	January 31, 2015
Current:			
Notes payable	\$ 27	\$ 146	\$ 72
Finance lease liabilities	39	76	55
Revolving loan facilities ⁽¹⁾	3,372	—	6,144
Senior notes ⁽⁴⁾	—	76,506	—
	\$ 3,438	\$ 76,728	\$ 6,271
Non-current:			
Revolving loan facilities ⁽¹⁾	\$ —	\$ 6,878	\$ —
Revolving loan facilities ⁽²⁾	31,509	37,254	27,977
Revolving loan facilities ⁽³⁾	85,424	87,550	78,367
Senior notes ⁽⁴⁾	84,600	—	88,779
Notes payable	—	24	—
Finance lease liabilities	—	43	2
	\$ 201,533	\$ 131,749	\$ 195,125
Total	\$ 204,971	\$ 208,477	\$ 201,396

(1) This committed, revolving loan facility provides the International Operations 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, 2015, the International Operations had drawn US\$2,782 (April 30, 2014 – US\$6,277) on this facility.

(2) The US\$52,000 committed, revolving loan facilities in the International Operations mature December 31, 2018 and bear interest at LIBOR plus a spread. These loan facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70,000 senior notes and the \$200,000 Canadian Operations loan facilities. At April 30, 2015, the Company had drawn US\$26,000 (April 30, 2014 – US\$34,000) 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 US LIBOR plus a spread. The new senior notes are secured by certain assets of the Company and rank *pari passu* with the \$200,000 Canadian Operations loan facilities and the US\$52,000 loan facilities in the International Operations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE COSTS

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014
Wages, salaries and benefits including bonus	\$ 55,765	\$ 51,994
Post employment benefits	1,851	1,769
Share-based compensation (Note 12)	328	741

10. INTEREST EXPENSE

	Three Months Ended April 30, 2015	Three Months Ended April 30, 2014
Interest on long-term debt	\$ 1,266	\$ 1,810
Fair value movement of derivative financial instruments in effective fair value hedging relationships	—	9
Net interest on defined benefit plan obligation	312	195
Interest income	(26)	(36)
Less: interest capitalized	(106)	(26)
Interest expense	\$ 1,446	\$ 1,952

11. INCOME TAXES

The estimated effective income tax rate for the three months ended April 30, 2015 is 29.4% (three months ended April 30, 2014 – 29.8%). 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. 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 (DSUs); and an Employee Share Purchase Plan. The purpose of these plans is to directly align the interests of the participants and the shareholders of the Company by providing compensation that is dependent on the performance of the Company's common shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The total expense relating to share-based payment plans for the three months ended April 30, 2015 is \$328 (three months ended April 30, 2014 - \$741). The carrying amount of the Company's share-based compensation arrangements including PSU, share option and DSU plans are recorded on the consolidated balance sheets as follows:

	April 30, 2015	April 30, 2014	January 31, 2015
Accounts payable and accrued liabilities	\$ 7,988	\$ 6,919	\$ 9,526
Other long-term liabilities	2,468	2,820	4,485
Contributed surplus	1,224	2,022	1,262
Total	\$ 11,680	\$ 11,761	\$ 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 April 30, 2015 are \$689 (three months ended April 30, 2014 - \$399).

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 April 30, 2015. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over five years and are exercisable over a period of seven to ten years. The share option compensation cost recorded for the three months ended April 30, 2015 is a recovery of \$(478) (three months ended April 30, 2014 - expense of \$60).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The fair values for options issued during the three months ended April 30 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 April 30 were as follows:

	2015	2014
Dividend yield	4.7%	4.8%
Annual risk-free interest rate	0.7% to 1.1%	1.1% to 1.8%
Expected share price volatility	16.5% to 19.8%	19.0% to 24.3%

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	
	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	—	—	(5,004)	(6,167)
Forfeited or cancelled	—	—	(30,155)	—
Outstanding options, end of period	1,699,091	1,252,489	438,178	556,844
Exercisable at end of period	170,271	—	196,785	192,268

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	—	—	20.60	16.69
Forfeited or cancelled	—	—	22.52	—
Outstanding options, end of period	\$ 23.61	\$ 22.75	\$ 21.64	\$ 19.50
Exercisable at end of period	\$ 19.68	\$ —	\$ 19.20	\$ 17.81

Options outstanding at April 30, 2015 have an exercise price range of \$15.25 to \$25.63 and a weighted-average remaining contractual life of 5.3 years.

Director Deferred Share Unit Plan

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

Compensation expense is measured based on the fair market value at each reporting date. The DSU plan compensation recorded for the three months ended April 30, 2015 is a recovery of \$(207) (three months ended April 30, 2014 – recovery of \$(98)). The total number of DSUs outstanding at April 30, 2015 is 170,679 (April 30, 2014 – 148,861). There were 4,688 DSUs exercised during the three months ended April 30, 2015 (three months ended April 30, 2014 – 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, 2015 is \$324 (three months ended April 30, 2014 – \$380).

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SUBSIDIARIES AND JOINT VENTURES

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

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

The investment in 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.

	Maturity	Assets (Liabilities) carried at amortized cost		Assets (Liabilities) carried at fair value	
		Carrying amount	Fair value	Carrying amount	
Cash	Short-term	\$ 26,231	\$ 26,231	\$	—
Accounts receivable	Short-term	70,912	70,912		—
Other financial assets	Long-term	1,248	1,248		—
Accounts payable and accrued liabilities	Short-term	(128,047)	(128,047)		—
Current portion of long-term debt	Short-term	(3,438)	(3,438)		—
Long-term debt	Long-term	(201,533)	(202,933)		—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.
- The derivative financial instruments were measured using a generally accepted valuation technique. The pricing model incorporates current market measures for interest rates, credit spreads, volatility levels and other market-based pricing factors.

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

Financial derivative instruments

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

16. SUBSEQUENT EVENTS

On June 10, 2015, the Board of Directors declared a dividend of \$0.29 per common share payable July 15, 2015 to shareholders of record on June 30, 2015.