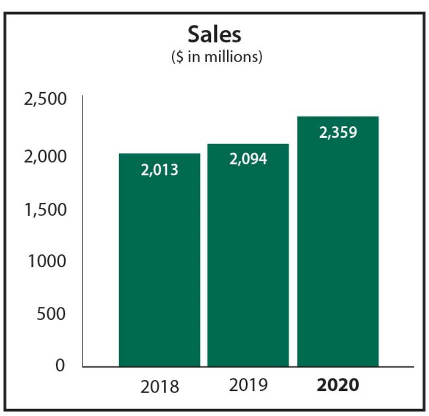
The North West Company Inc.

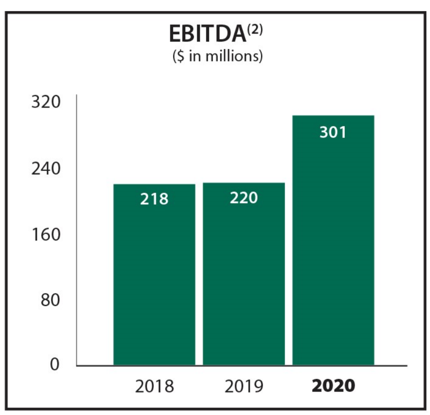
2020 Annual Report

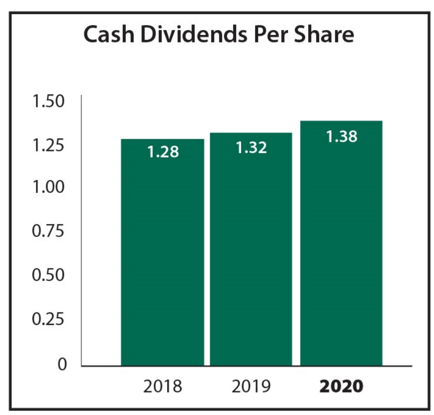
Financial Highlights

All currency figures in this report are in Canadian dollars, unless otherwise noted

($ in thousands, except per share information)		**Year Ended January 31, 2021**		Year Ended January 31, 2020		Year Ended January 31, 2019
RESULTS FOR THE YEAR						
Sales	**$**	**2,359,239**	$	2,094,393	$	2,013,486
Same store sales % increase (1)		**19.0 %**		1.3 %		2.0 %
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (2)	**$**	**301,427**	$	219,575	$	218,022
Earnings from operations (EBIT)		**209,349**		130,353		136,001
Net earnings		**143,560**		86,273		90,623
Net earnings attributable to The North West Company Inc.		**139,874**		82,724		86,739
Cash flow from operating activities (3)		**338,718**		161,117		155,725
FINANCIAL POSITION						
Total assets	**$**	**1,191,168**	$	1,215,536	$	1,149,861
Debt		**281,422**		410,965		366,757
Total equity		**505,231**		426,970		411,016
FINANCIAL RATIOS						
Debt-to-equity		**.56:1**		.96:1		.89:1
Return on net assets (RONA) (2)		**22.4 %**		13.5 %		15.3 %
Return on average equity (ROE) (2)		**30.7 %**		20.5 %		23.2 %
Sales blend: Food		**76.4 %**		75.2 %		74.7 %
General Merchandise and other		**23.6 %**		24.8 %		25.3 %
PER SHARE ($) - DILUTED						
EBITDA (2)	**$**	**6.09**	$	4.45	$	4.44
Net earnings		**2.82**		1.68		1.77
Cash flow from operating activities		**6.84**		3.26		3.16
Market price: January 31		**32.37**		27.56		31.17
high		**36.92**		33.16		32.19
low		**16.06**		27.18		26.50







(1) All references to same store sales exclude the foreign exchange impact.
(2) See Non-GAAP Financial Measures section.
(3) See Consolidated Liquidity and Capital Resources.

THE NORTH WEST COMPANY INC. 2020

Annual Report

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MANAGEMENT'S DISCUSSION & ANALYSIS

Unless otherwise stated, this Management's Discussion & Analysis ("MD&A") for The North West Company Inc. ("NWC") or its predecessor North West Company Fund ("NWF" or "Fund") and its subsidiaries (collectively, "North West Company", the "Company", "North West", or "NWC") is based on, and should be read in conjunction with the 2020 annual audited consolidated financial statements and accompanying notes. The Company's annual audited consolidated financial statements and accompanying notes for the year ended January 31, 2021 are in Canadian dollars, except where otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on April 7, 2021 and the information contained in this MD&A is current to April 7, 2021, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements about North West including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, capital expenditures, dividends, debt levels, financial capacity, access to capital and liquidity), ongoing business strategies or prospects, the Company's intentions regarding a normal course issuer bid, the anticipated impact of the COVID-19 pandemic on the Company's operations and the Company's related business continuity plans, the realization of expected savings from administrative cost reduction plans and possible future action by the Company.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally including the duration and the impact of the COVID-19 pandemic, 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 capital projects, strategic transactions and integrate acquisitions, the Company's ability to realize benefits from investments in information technology ("IT") and systems, including IT system implementations, or unanticipated results from these initiatives 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 this MD&A, in the Risk Factors sections of the Annual Information Form and in our most recent consolidated financial statements, management information circular, material change reports and news releases. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

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

President & CEO Message

2020 was the most intensely active and reactive year in The North West Company's history. We started with a great playbook and ended with completely different and unexpected outcomes, including the highest annual sales gains of any Canadian-based retailer.

The single constant was the adaptability of North West, or more accurately, the people of North West and the communities we are privileged to serve.

Pre-Pandemic Initiatives

Heading into 2020 we had a sharpened focus on growing our core retail market share while seeking out complimentary acquisitions and organic opportunities.

We started with four major actions to enable this: the divestiture of most of our Giant Tiger stores; setting up reciprocal product supply agreements with Giant Tiger Store Limited ("GTSL"); streamlining our Canadian administration cost structure and reinvesting cost savings into lower retail food prices. In total, these initiatives enabled us to redeploy capital, time and savings into lower risk and sustainably higher growth and return areas of our business. That was the plan until March 12, 2020, when the Pandemic hit.

The Pandemic impacted but did not stop this plan. Work was largely completed or continued with some delays, even under a fast-changing Pandemic environment. The GT store divestiture closed on July 5th and we successfully divested all but one of the store leases that were not acquired by GTSL. Operating the GT stores during a pending sale or closure period is a hard task at the best of times and it was compounded by COVID-19 restrictions and uncertainties. As my first of many acknowledgements, I highlight the ability of our GT store transition team and thank them for getting this work done so well.

Our product supply agreements with GTSL continued behind the scene and had two key streams: optimizing food procurement costs between our companies and converting approximately 70% of our sourcing in apparel and home products to GTSL. This work was not timed to deliver benefits in 2020 but will be a sales and margin driver in 2021, thanks to the disciplined allocation of time by both NWC and GTSL, amid the new demands of the Pandemic.

Our administration cost reduction target of $17 million was achieved by year end, by eliminating positions and streamlining other expenses, from consulting to travel. Some of the positions were tied to the GT stores divestiture and the winding down of large IT projects but most reflected a commitment to stop lower value work and commit to a smaller number of higher impact initiatives. Pandemic demands kept some roles in place longer and additional, unanticipated cost savings were realized in travel, offset by higher insurance costs.

Pre-Pandemic, the cost savings we achieved were to be reinvested in our Northern Canada Retail ("NCR") group, to re-capture profitable market share in shelf-stable food categories and to create a stronger brand position with our customers. After mid-March we accelerated price cutting in some store regions but we paused our overall effort because the surge in Pandemic-related demand made it almost impossible to test and assess the best approach. While the Pandemic prevented a full pricing roll-out, it gave us tremendous insight into items and merchandise categories where our sales lift surged and by extension, where opportunities exist to lower prices to retain higher gross profit dollars under post-pandemic conditions.

Pandemic Performance

North West was and continues to be pervasively affected by the Pandemic, similar to other organizations. Our story isn't new in this regard but it does reflect unique attributes of our resiliency, adaptability and enterprising spirit. These traits, called on heavily during the Pandemic, are everyday, essential practices at North West, embedded in our culture and the reason why we've been a leading provider to smaller, geographically distant communities for so long.

Community Response – the Pandemic created higher risks for communities and the people we serve because they live in developing economies with limited health service infrastructure compared to wealthier urban centres. Homes have less living space per person and lower incomes contribute to poor health determinants and accentuate vulnerability to a virus like COVID-19. Considering these factors we anticipated a high number of widespread outbreaks with severe consequences. This did not happen. There were some situations where transmission exceeded 50% of the population. In most communities, and as a testament to the control measures put in place and adhered to, infection rates were very low. The prevention record of these governments, communities and their members, in the face of such a precarious situation, has been exemplary.

Safety – Our stores quickly pivoted to safety measures that worked. PPE, cleaning processes and space modifications were put in place within days of the Pandemic declaration. There were very few incidences of COVID-19 contraction traced to our stores. Of 59,500 possible store open days we were only closed for 401 days due to lockdowns and deep store cleaning after a COVID-19 occurrence or tracing. Among our 6,900 associates, 117 cases were identified and less than 10 were traced to a North West workplace.

Availability – Being open for business and staffed everyday with full product and service availability is a higher bar under the usual operating conditions we face. Distant, multi-modal supply chains, extreme weather and staffing are more challenging, at all times. The Pandemic introduced potentially severe product shortages and initial staffing challenges that raised the stakes even more, especially given our role as an essential products and service retailer. Our sourcing and procurement teams punched above their weight to ensure an uninterrupted supply of key food products, competing against the demands of much larger, urban retailers. This translated into superior in-stock conditions, strengthened trust with communities we serve and was an early driver of the market share gains we achieved throughout the year.

Faced with the risk and then the reality of in-store shopping restrictions, North West rapidly deployed e-commerce solutions across all stores within 14 days. This pace was indicative of many good decisions executed with quality and pace during 2020. When activated, our online/store pick-up service was heavily used during community lockdowns and was almost always a step ahead of our competition.

Community Support – North West plays a larger role in this area because we know first-hand how important the need is and how few private sector companies actually make their home within the communities we serve. The Pandemic dried up funding sources from sectors that suffered severe business downturns at the same time that non-profit agencies faced increased demand for their services. In 2020, we responded by increasing donations by a record $5.5 million, allocated to the following causes:

- $1.5 million contributed to our Canadian Healthy Horizons foundation for distribution to a wide-range of community-led healthy living activities across northern regions;
- $1.0 million contributed to our newly-created International Healthy Horizons Foundation;
- $2.4 million in additional funding; to causes ranging from the United Way to Qaumajuq, the new Inuit Art Centre at the Winnipeg Art Gallery; and,
- Partnering with the Sprott Foundation and Second Harvest to leverage North West's community relations, logistics and operations skills to enable a combined $3.6 million food donation to residents of over 120 communities in northern Canada, including a $0.6 million contribution from North West.

The Sprott Foundation/Second Harvest partnership was one of many food distribution efforts that North West collaborated on with northern and other government organizations. The most notable was the advocacy we led on behalf of rural Alaska families to ensure their eligibility under the USDA Farmers to Families Food Box program which, leveraging our store network, delivered for the first time over 69,000 boxes or 1.2 million pounds of produce and dairy products to Americans across rural Alaska.

Associate Experience – Our associates handled big increases in sales volumes while dealing with new work protocols and constraints presented by COVID-19. These were challenging physical factors. Added was the stress of being front-line workers, with many living in high risk circumstances, and the Pandemic anxieties that affected us all. Under these circumstances we tried our best to recognize workloads and help each other stay positive, healthy and energized. These steps included:

- $6.4 million in hourly premiums of between $2.00 and $3.35 per hour paid during the first months during the Pandemic and afterwards wherever we have experienced heightened community COVID-19 transmission;
- $3.7 million in additional special payments to hourly staff throughout 2020;
- Recruitment of over 180 "Go Team" associates for rapid assignment to stores needing relief or additional key role staffing;
- Vacation buybacks in circumstances where travel restrictions were onerous;
- Work from home flexibility for office staff;
- Promotion of our Employee and Family Assistance Programs.

The payments indicate how different and demanding the work experience was for North West associates, at all levels. But they don't explain what our people continue to accomplish during these times. In our conversations I am left feeling tremendously inspired and reassured. Demonstrated, to a person, are the traits I mentioned earlier: resiliency, adaptability and an enterprising spirit, combined with a deep sense of professionalism and duty. In my long career at North West I have never had such a powerful impression of the strength of our people and collectively, our Company. As CEO and on behalf of our executive team, I acknowledge this, with gratitude, as the reason that we sustained our business in 2020.

Sales Achievements – The final chapter in our 2020 story was our focus and drive for sales amid adverse operating conditions. North West's store sales increased by $270 million or 19%, generated from the same 207 stores as the year before. Without question we benefitted from lower travel and higher consumer incomes derived from government support programs in Canada and the U.S. On the other hand we faced constraints on food supply, closures of most of our food service departments, a drop-off in convenience store business and depressed tourism-dependent markets. How we responded was critical to our performance.

There were many sales highlights. Most impressive was the 36% growth in general merchandise sales. Simply finding product that we usually plan and buy for 6-12 months ahead of the selling season was a huge accomplishment. Knowing what and how much to purchase with no time to spare made this task even more difficult. Collaborations with communities were another example of new food business we successfully pursued during the Pandemic, together with a massive increase in our other commercial sales, from PPE to community outdoor living supplies.

Post-Pandemic Growth

The Pandemic presents North West with unprecedented growth opportunities beyond the successes of 2020 and the post-pandemic transition year of 2021. After the GT store divestiture we are a more focused company with a more attractive mix of retail banners and complementary businesses, like our airline and shipping investments. We are still seeing attractive opportunities in rural retail and wholesale, in transportation and in other adjacent spaces within our core geographies. We are more active in health, triggered by allowable virtual physician service delivery and billing protocols. Within our retail businesses that grew the most last year, we have enhanced customer and community relationships that will enable new partnership opportunities in a post-Pandemic environment.

Most important and hardest to measure is a renewed pure merchant capability and 'get sales' attitude within North West. We convincingly know that we have the ability to set and reach higher sales goals within both in-store product and service categories and other channels like B to B and e-commerce, where we had accepted lesser growth targets in the past. In short, the enterprising spirit at North West is alive and energized.

CEO Transition

This is my 24th and last annual letter to shareholders, as I head towards retirement on August 1st.

I never intended to stay this long, like many who accidently end up in retailing. I came from a family of small business owners and I initially recoiled at the idea of joining a large organization, never mind one as "old" as North West. But I am here, at the end of a journey that has always felt fresh, stimulating and meaningful.

I am grateful for every aspect of my career at North West. I have had the freedom to grow as a leader and the privilege to take the long view and gain a deep sense of the people and the key facets of our business. Time has enabled me, with the help of many others, to learn how to work through problems, know when to seize opportunities and ultimately to sustain relationships and the organization as a whole.

My retirement has been planned with Sandy Riley and our entire Board for over three years and it has enabled an internal successor with tremendous potential to help guide North West to the next level. My priority is to complete this process by ensuring an effective transition with Dan McConnell who I have worked closely with for almost 20 years. I know the Board, together with our senior team, is equally committed to Dan's success and I wish him well.

Lastly, and most important, thank-you. Above all, to my spouse Stella, for being incredibly supportive of my work and to our children for their understanding of the time and effort. And then, to all of my associates, colleagues, our customers and the other stakeholders of The North West Company. Thank-you for being alongside, always committed to the special community that is North West.

Edward S. Kennedy
President & CEO
April 7, 2021

Chairman's Message

Mike Tyson, the former heavyweight champion, famously said "everybody has a plan, until they get punched in the mouth."

That pretty much sums up the past year for The North West Company. We started the year very focused on several key strategic initiatives, including the completion of the sale of most of our Giant Tiger stores and a significant restructuring of our Canadian administrative structure, with the goal of freeing up at least $17 million to invest in lower prices for key food categories in our Northern markets.

Within a week in March this work had taken a backseat, as we were forced to pivot to deal with the impact of the global coronavirus pandemic on the communities in which we operate and on our business overall.

I have to say that I could not have been prouder of a group of business colleagues than I have been of the way that the women and men of The North West Company responded to the COVID challenge.

Edward and his management team recognized, from the outset of the pandemic, that our ability to keep customers and communities sustainably supplied with food and other essential products and services was going to be crucial to their ability to weather the COVID storm. This is part and parcel of the privilege and responsibility of North West and while it is practiced across our Company every day, COVID put us to the toughest test we have faced in recent history.

Our team met the COVID challenge superbly. Working long hours in unusual and very stressful settings, our store teams ensured their safety and the safety of their customers, found ways to source and transport products when communities were in lockdown (including the rapid set-up of on-line ordering), and kept their stores in-stock throughout.

Our buyers did a great job in procuring product in the face of worldwide competition for scarce supply, which was particularly challenging in the early days of the pandemic when consumers around the world were defensively stocking up their pantries and much larger grocery chains were leaning into their relationships with suppliers to meet unprecedented demand.

Our logistics teams at all of our store banners and in our transportation companies ensured delivery of goods happened on a timely and uninterrupted basis; in the face of countless adjustments caused by the lockdowns and by rolling incidents of infection. It was a huge team effort, led by our individuals at all levels of the organization, and the results speak for themselves.

While we are obviously pleased with the financial results we achieved, we are most proud of our role in helping our customers and their communities weather this crisis. In that regard, I acknowledge, congratulate and thank the community leaders for their success in addressing these challenges, often without the resources of larger, urban centres. We played our part but their resourceful efforts were essential and remarkable!

Looking forward, the sales levels that we experienced this year will be very difficult to replicate but we know that they are out there because of what was achieved this year. Our challenge is to learn the lessons from COVID. For example, how can we apply new e-commerce processes, and learnings on pricing and our logistics advantages to maintain sales in categories where we saw a big upswing during COVID? And how can we capitalize on the strong relationships which have been fostered during this crisis in order to identify new products and services which we can facilitate for our communities? Those are opportunities which face us in the year ahead and which our North West team and our Board are embracing.

In the midst of all of this, we continue to revitalize our Board and to make significant advances on our journey towards best in practice ESG disciplines. For our company, the environment, diversity and, inclusion, and our longstanding priority on community responsibility are essential considerations, especially given the size and composition of regions in which we operate. Our task is to establish effective processes and standards which reflect their unique circumstances. For example, shifting to greener energy sources is a very different and difficult proposition in small, geographically distant locations, whether in the far north or a south Pacific island. Similarly, issues of reconciliation with Indigenous peoples is at the very core of our business in a way that is not found in most other Canadian organizations, private or public-sector. Our Board and executive team has embarked on a journey which will, we believe, continue to create authentic, well-articulated policies with respect to all these areas of corporate social responsibility that are appropriate for North West and sensitive to our stakeholder interests.

This year, we will be bidding farewell to two long-standing directors, Wendy Evans and Eric Stefanson. Wendy served for many years as chair of our Governance Committee while Eric was chair of our Audit Committee. They have been wonderful colleagues and great contributors with genuine passion for The North West Company. We want to thank them very much for their years of service. They will be missed.

You will notice that we have not added any new directors this year because, in anticipation of Wendy and Eric's retirement, we appointed new directors over the last several years so that they could spend some time working alongside the retiring directors as part of a planned transition.

There is one other important change in leadership to acknowledge. This year, Edward Kennedy is celebrating his 30th year as a senior executive at The North West Company, and his 25th year as President & CEO. That length of tenure is, in itself, extraordinary in Canadian business.

Edward's guiding hand has touched all facets of the Company's development, from taking North West public, to shifting our product focus to food, expanding internationally, forging dozens of partnerships with Indigenous entities and growing into exciting new areas like health and transportation, all while being a true ally of the communities we are privileged to serve. Under Edward's time as CEO, North West's financial performance has been equally stellar with sales growth from $590 million to $2.4 billion, EBITDA growth from $59 million to over $300 million and nearly $1.2 billion in total dividends paid to shareholders; delivering compound annual returns of 15.6% – indeed it has been a remarkable run for Edward and the company.

But in the words of Ecclesiastes 'to everything, there is a season and a time' and now is the time for Edward to move on to the next stage of his life and for the Company to move forward under new leadership.

The Board has been aware for several years of Edward's desire to retire, which has allowed us to prepare for this transition. While it is very difficult to imagine North West without Edward we have had plenty of time to get used to the idea and to have put a robust process in place to plan for a new CEO.

I am delighted to announce that, when Edward steps down on August 1 of this year, he will be succeeded by Dan McConnell. Dan has spent 19 years with North West with a range of key senior responsibilities, most recently as head of our International Operations, based in Boca Raton, Florida. Dan has a strong track record in his current role and previously as Executive Vice President, Corporate Development and is well prepared to assume his new position. He will be supported by a very strong senior management team. The Board is excited by this appointment because change brings opportunities and we know Dan's passion for the business will be infectious for all Nor' Westers.

As part of our plan, Edward has agreed to remain available to Dan to help him fully acclimatize to the breadth of his new responsibilities. The Board is also committed to working closely with Dan, continuing the CEO transition process, and helping to ensure Dan's success in his new role.

We are going to miss Edward on a day-to-day basis but we understand that life goes on. We want to thank him for all of his contributions and we wish him well in the years ahead. We also want to congratulate Dan in his appointment and wish him all success as he embarks on his journey as CEO.

Finally, I want to end as I began, by acknowledging the work of all of our Nor'westers. This was an extraordinary year which resulted in extraordinary efforts. I believe that we are all going to look back on this time as being the most challenging of our business careers-but we are also going to look back with enormous pride, at the compelling work we did, helping communities and customers get through COVID.

On behalf of the Board, thank you!

H. Sanford Riley
Chairman, Board of Directors
April 7, 2021

Management's Discussion & Analysis

OUR BUSINESS TODAY

The North West Company is a leading retailer to rural and developing small population communities in the following regions: northern Canada, rural Alaska, the South Pacific and the Caribbean. Our stores offer a broad range of products and services with an emphasis on food and a compelling value offer of being the best local shopping choice for everyday household and lifestyle needs.

North West's core strengths include: our ability to adapt to varied community preferences and priorities; our on-the-ground presence with hard-to-replicate operating skills, customer insights and facilities; our logistics capability in moving product to our markets; and, our ability to apply these strengths within complementary businesses.

North West has a rich enterprising legacy as one of the longest continuing retail enterprises in the world. The Company traces its roots back to 1668 and many of our stores in northern Canada have been in operation for over 200 years. In 2017, the Alaskan retail subsidiary, Alaska Commercial Company, celebrated its 150th anniversary.

Our stores in Alaska and northern Canada serve communities with populations ranging from 300 to 9,000. A typical store is 6,500 square feet in size and offers food, family apparel, housewares, appliances, outdoor products and services such as fuel, post offices, pharmacies, income tax return preparation, quick-service prepared food, prepaid card products, ATMs, cheque cashing and proprietary credit programs.

Growth at North West is driven by market share capture within existing locations and from applying our expertise and infrastructure to new product categories, markets and complementary businesses. The latter includes vertical investments in shipping and air cargo, wholesaling to independent stores, and retailing through mid-sized warehouse and supermarket format stores serving the South Pacific islands and the Caribbean.

A key strength and ongoing strategy of North West is our ability to seize unique community-by-community selling opportunities better than our competition. Flexible store models, store management selection and education, store-level merchandise ordering, community relations and enterprising incentive plans are all ingredients of our approach to sustain a leading market position. Our enterprising culture, our execution skills in general, and our logistics and selling skills specifically, are also essential components to meeting customer needs within each market we serve.

North West delivers its products and services through the following retail, wholesale and complimentary businesses:

Canadian Operations

- **118 Northern** stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- **5 NorthMart** stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, apparel and health products and services;
- **25 Quickstop** convenience stores, offering extended hours, ready-to-eat foods, fuel and related services in northern Canadian markets;
- **5 Giant Tiger ("GT")** junior discount stores, offering family fashion, household products and food in northern market locations;
- **2 Valu Lots** discount centers and direct-to-customer food distribution outlets for remote communities in Canada;
- **1 Solo Market** store, targeted at less remote, rural markets;
- **2 Pharmacy and Convenience** stores, stand-alone northern pharmacy and convenience store;
- **1 NWC Motorsports** dealership offering sales, service, parts and accessories for Ski-doo, Honda, Can-am and other premier brands;
- **Crescent Multi Foods ("CMF")**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- **North West Telepharmacy Solutions**, the leading provider of contract tele-pharmacist services to rural hospitals and health centres across Canada; and
- **Transport Nanuk Inc. and North Star Air Ltd. ("NSA")**, water and air-based transportation businesses, respectively, serving northern Canada.

International Operations

- **27 Alaska Commercial Company ("AC")** stores, similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- **5 Quickstop** convenience stores within rural Alaska;
- **Pacific Alaska Wholesale ("PAW")**, a leading distributor to independent grocery stores, commercial accounts and individual households in rural Alaska;
- **12 Cost-U-Less ("CUL")** mid-size warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean; and
- **8 Riteway Food Markets, 1 Cash and Carry store and a significant wholesale operation (collectively "RTW")** in the British Virgin Islands.

VISION

At North West our mission is to be a trusted provider of goods and services within harder-to-access, developing communities. Our vision is to help our customers live better by doing our job well, with their interests as our first priority. This starts with our customers' ability and desire to shop locally with us for the widest possible range of products and services that meet their everyday needs. We respond by being innovative, reliable, convenient, welcoming and adaptable, at the lowest local price, within what are typically higher cost environments. For our associates, we want to be a preferred, fulfilling place to work. For our investors, we want to deliver risk-adjusted, top-quartile total returns over the long term.

PRINCIPLES

The way we work at North West is shaped by six core principles: *Customer Driven, Enterprising, Passion, Accountability, Trust, and Personal Balance*.

Customer Driven refers to looking through the eyes of our customers while recognizing our presence as a supportive community citizen.
Enterprising is our spirit of innovation, improvement and growth, reflected in our unrelenting focus on new and better products, services and processes.
Passion refers to how we value our work, our privileged community presence and the opportunity to find solutions that make a difference in our customers' lives.
Accountability is our management approach to getting work done through effective roles, tasks and resources.
Trust at North West means doing what you say you will do, with fairness, integrity, inclusion and respect.
Personal Balance is our commitment to sustaining ourselves and our organization, so that we work effectively and sustainably in our roles and for our customers and communities.

STRATEGIES

The strategies at North West are aligned with a total return approach to investment performance. We aim to deliver top-quartile returns through an equal emphasis on growth and dividend yield with opportunities considered in terms of their growth potential and ability to sustain an attractive cash return within a lower business risk profile.

The Company develops strategies in multi-year cycles or shorter ones where conditions change, as during COVID-19. Strategies are regularly reviewed and adjusted at the senior management and board levels. The Company's overriding goal is to offer essential products and services that help our customers to live better and our business to grow within a wide range of economic conditions through the following priorities:

- managing business continuity, safety requirements and sales growth opportunities arising from COVID-19 – this became the Company's top priority from March onward;
- ensuring the way we work is "Pure Retail", with top store teams, lean processes and customer driven support from the rest of our organization;
- investing in product categories with the most market share upside;
- building a superior logistics capability with a focus on optimizing our air cargo capability to provide faster more reliable and lower cost service to our stores and customers in remote markets in Canada;
- completing the roll-out of next generation information technology for our stores and support offices that help optimize the unique elements of our business;
- identifying complimentary growth opportunities that leverage our core remote market capabilities and expertise; and
- ensuring that we are responsible towards stakeholder interests and inclusive of the diverse peoples and cultures that make up our workforce and the communities we are part of.

Our key initiatives together with the results for 2020 are as follows:

Initiative #1
COVID-19 Risks and Opportunities
This urgent, high priority work was focused on providing a safe, reliable service to our customers and employees, mitigating other risks and capturing sales opportunities.

Result
- Store safety and business continuity was exceptional with minimal employee COVID-19 cases and service disruptions;
- Across North West, our employees' actions embodied our Principles, especially within frontline and production roles; and
- Superior in-stock performance and enterprising responses to new opportunities delivered leading same store sales growth rates.

Initiative #2
Pure Retail/Top Store Teams
This initiative refers to people and processes in our stores and is focused on top store teams, lean processes, and customer-driven support throughout our organization. Our goal is to optimize store sales and net performance by creating more ability and freeing more time to get sales at store level.

Result
- Training center activity was curtailed and replaced by e-learning due to COVID-19 protocols;
- Over 180 "COVID-19 relief" employees were brought into stores to provide key role support;
- Store management turnover improvements exceeded targets, partially achieved because of COVID-19-related conditions; and
- A new weekly playbook that provides information on merchandising programs and operational tasks was successfully launched in Canadian stores.

Initiative #3
Investing in Food Pricing
This initiative focuses on investing in lower prices in product categories with the most market share upside.

Result
Price investments were made in approximately 20% of the Company's Northern stores in the first quarter, but the full testing and roll-out was delayed until 2021-2022 due to the impact of COVID-19-related factors and other priorities.

Initiative #4
Building a Superior Logistics Capability
We recognize the unique importance of logistics to our business and we continue to build a superior capability in this area. Our focus is to optimize our air cargo to provide faster, more reliable and lower cost transportation service to our stores and customers in remote markets.

Result
- NSA's cargo aircraft utilization rates exceeded annual targets and delivered safe, consistent service to northern Canada stores and to external customers, all within a more demanding COVID-19 environment;
- "Next Gen" efficiency work progressed with the launch of the lighter pallet program, double-decker truck to plane loads and investments in store cargo receiving and handling; and
- NSA's cargo performance was partially offset by a decline in passenger revenues due to COVID-19-related travel restrictions.

Initiative #5
Next Generation Merchandise and Store Systems ("Project Enterprise")
Project Enterprise is focused on implementing higher capability point-of-sale ("POS"), merchandise management ("MMS"), which includes pricing, promotions, category management and vendor revenue management, and workforce management ("WFM") systems. This initiative is expected to deliver improvements in pricing and margins, inventory and store staff productivity, aligned with the Company's "Top" strategies.

Result
The new POS system was installed in the remaining AC stores and has been installed in 18 Northern stores however, the Canadian roll-out could not be completed in 2020 due to COVID-19-related travel restrictions. This work will resume in the third quarter of 2021 and be completed in 2022. The supplier management component of MMS was implemented in Canada in the fourth quarter. The implementation of MMS in International Operations was planned for 2020 but is now deferred until 2021 due to COVID-19-related business priorities.

Initiative #6
Support Office Administrative Cost Reduction
This initiative is focused on achieving $17 million in administrative cost savings which can be reinvested in lower prices in the Company's Canadian retail business as outlined in Initiative #3.

Result
In the first quarter of 2020, the Company announced its plans to reduce administration costs in Canada. By the end of the year, the Company achieved its $17 million annualized savings target.

Initiative #7
Giant Tiger Transaction
This work is related to completing the sale of 36 of the Company's Giant Tiger stores to Giant Tiger Stores Limited and implementing reciprocal product supply and distribution agreements.

Result
On July 5, 2020, the Company completed the sale of 36 of its Giant Tiger stores to Giant Tiger Stores Limited which resulted in a pre-tax gain of $24.7 million or $20.0 million net of tax. Further information on the Giant Tiger Transaction is provided in the Consolidated Results financial performance review on page 11. The reciprocal supply agreements were implemented in 2020, which are expected to provide further upside in 2021.

KEY PERFORMANCE DRIVERS AND CAPABILITIES REQUIRED TO DELIVER RESULTS

The financial capability to sustain the competitiveness of our core strengths and to pursue growth: Our investment priorities center on our store management and front line people, lower costs to drive lower prices, next level technology and superior logistics.

The ability to be a leading community store in every market we serve: We want to connect with the customers and communities we serve in a highly valued way. It starts with being able to tailor our store formats, product/service mix, community support and store compensation, while still realizing the efficiencies of our size or the size of our alliance partners. Investing in relationships, embracing a broad range of products, services and store sizes, flexible technology platforms and "best practice" work processes, are required to achieve this goal.

Our ability to build and maintain supportive community relations: To preserve our community access we must be trusted, open, respectful, adaptable and socially helpful. Store leases and business licenses are often subject to community approval and depend on our track record in these areas and the perceived community and customer value of our retail store compared to other options.

Our ability to develop highly capable store level employees and work practices: Pure Retail store work must drive sales and efficiently enable our store-level personnel to manage the other key facets of their store. This enables our full potential to realize local selling opportunities, meet our customer service commitments and build and maintain positive community relationships. It recognizes that our store roles must be great jobs to offset other conditions that create challenges in attracting and retaining the best people. Related to this is our on-going ability to hire within-community and assist local associates to reach their full potential.

Our ability to deliver merchandise and information through our unique store network: The integration and build-out of our air cargo capability in northern Canada enables us to deliver and receive products faster, cheaper and more reliably compared to third-party providers. Similar advantages are possible through our investment in information technology.

Consolidated Results

2020 Highlights

- Sales increased 12.6% to $2.359 billion, our 21st consecutive year of top line growth.
- Same store sales(2) increased 19.0% driven by both food and general merchandise sales gains.
- The Company increased annual incentive plan payments to front-line managers by $10.8 million and paid $10.1 million in hourly premiums and one-time special payments to front-line associates to recognize their critical role in serving our customers.
- Donations increased $5.5 million in response to greater community needs during COVID-19.
- EBITDA(1) increased 37.3%
- Debt-to-Equity decreased to 0.56 compared to 0.96 at January 31, 2020.
- Return on net assets(1) improved to 22.4% compared to 13.5% in 2019.
- Completed the sale of 36 Giant Tiger stores resulting in a pre-tax gain of $24.7 million or $20.0 million net of tax.
- Quarterly dividends increased $0.03 per share or 9.1% to $0.36 per share.
- The Company purchased 180,744 shares under a normal course issuer bid.

FINANCIAL PERFORMANCE

Some of the key performance indicators used by management to assess results are summarized in the following table:

Key Performance Indicators and Selected Annual Information

($ in thousands, except per share)	**2020**	2019	2018
Sales	**$2,359,239**	$ 2,094,393	$ 2,013,486
Same store sales % increase(2)	**19.0 %**	1.3 %	2.0 %
EBITDA(1)	**$ 301,427**	$ 219,575	$ 218,022
EBIT	**$ 209,349**	$ 130,353	$ 136,001
Net earnings	**$ 143,560**	$ 86,273	$ 90,623
Net earnings attributable to shareholders of the Company	**$ 139,874**	$ 82,724	$ 86,739
Net earnings per share - diluted	**$ 2.82**	$ 1.68	$ 1.77
Cash flow from operating activities(3)	**$ 338,718**	$ 161,117	$ 155,725
Cash dividends per share	**$ 1.38**	$ 1.32	$ 1.28
Total assets	**$1,191,168**	$ 1,215,536	$ 1,149,861
Total long-term liabilities	**$ 370,802**	$ 594,482	$ 541,907
Return on net assets(1)	**22.4 %**	13.5 %	15.3 %
Return on average equity(1)	**30.7 %**	20.5 %	23.2 %

(1) See Non-GAAP Financial Measures section.
(2) All references to same store sales exclude the foreign exchange impact.
(3) See Consolidated Liquidity and Capital Resources.

Key Performance Factors The following factors had a significant impact on the financial results in 2020 and are referred to throughout this analysis:

COVID-19 As an essential service provider of food and everyday products and services, sales were positively impacted by COVID-19-related consumer spending changes in favor of in-community and at-home activities resulting from travel restrictions and restaurant closures, and were supported by enhanced government income support payments to individuals. The Company was able to maintain a good in-stock position by working with our vendor partners and leveraging our supply chain management and logistical expertise which helped ensure an adequate supply of essential products in the communities we serve. These factors were partially offset by periodic government mandated COVID-19-related community curfews and store closures. The impact of increased sales on earnings was partially offset by wage premiums and bonuses paid to front-line associates to recognize their critical role in serving our customers, and expenses related to the purchase of protective equipment and enhanced sanitation procedures.

Giant Tiger Transaction On July 5, 2020, the Company completed the sale of 36 of the Company's 46 Giant Tiger stores (the "Acquired Stores") to Giant Tiger Stores Limited ("GTSL") for cash consideration of $45.0 million, subject to working capital adjustments, payable in installments on the second, third and fourth anniversaries of the transaction closing date and, subject to meeting certain profitability milestones, additional contingent consideration payable on the fourth and fifth anniversaries of the closing date of up to $22.5 million. The Company recorded a promissory note receivable with a fair value of $49.0 million comprised of the net present value of the installments and estimated additional contingent consideration. The Giant Tiger Transaction resulted in a pre-tax gain of $24.7 million or $20.0 million net of tax in the second quarter.

Of the remaining 10 GT locations, the Company (i) retained and operates five key stores in northern market locations, (ii) converted one store to a Valu Lots clearance center, and (iii) closed four stores in the third quarter of 2020. The Company recorded a $9.4 million asset impairment and store closure provision in the first quarter substantially related to a reduction in the carrying amount of fixtures and equipment and right-of-use assets.

As part of the Giant Tiger Transaction, the Company and GTSL entered into product supply and distribution agreements related to the supply of food-related products by the Company to the Acquired Stores and the supply of certain general merchandise and food products by GTSL to the Company's northern Canada stores. These agreements enable buying efficiencies for both parties and will provide the Company with access to an expanded general merchandise assortment. Further information on the Giant Tiger Transaction is provided in Note 24 to the consolidated financial statements.

Consolidated Sales Sales for the year ended January 31, 2021 ("2020") increased 12.6% to $2.359 billion compared to $2.094 billion for the year ended January 31, 2020 ("2019"), and were up 17.2% compared to $2.013 billion for the year ended January 31, 2019 ("2018"). The increase in sales compared to 2019 was driven by same store sales gains and the impact of new stores largely related to the re-opening of the Company's CUL store in St. Thomas, USVI which was destroyed by hurricane Irma in the third quarter of 2017. Sales were positively impacted by market share gains and COVID-19-related factors including consumer spending changes in favor of in-community and at-home activities, supported by enhanced government income transfers in many jurisdictions. The impact of foreign exchange on the translation of International Operations sales was also a factor. Excluding the foreign exchange impact, sales increased 11.5% from 2019 and were up 15.0% from 2018. The increase in sales compared to 2018 is due to the factors previously noted. These factors were partially offset by lower sales in Giant Tiger stores resulting from the Giant Tiger Transaction.

On a same store basis, sales increased 19.0% compared to increases of 1.3% in 2019 and 2.0% in 2018 as shown in the following table.

Same Store Sales

(% change)	**2020**	2019	2018
Food	**15.6 %**	1.9 %	1.7 %
General merchandise (GM)	**36.1 %**	(1.1)%	3.2 %
Total food & GM sales	**19.0 %**	1.3 %	2.0 %

Food sales increased 14.4% from 2019, and were up 13.4% excluding the foreign exchange impact. Same store food sales increased 15.6% over last year with quarterly same store sales increases of 16.3%, 19.1%, 14.5% and 12.0% in the fourth quarter. Canadian food sales increased 11.0% and International food sales increased 17.1% excluding the foreign exchange impact.

General merchandise sales increased 11.4% compared to 2019 and were up 9.7% excluding the foreign exchange impact. Same store general merchandise sales increased 36.1% for the year with an increase of 12.0% in the first quarter followed by additional increases of 54.8%, 38.3% and 39.8% in the last three quarters. Canadian general merchandise sales increased 4.3% as same store sales gains of 37.5% were largely offset by the impact of the Giant Tiger Transaction. International general merchandise sales increased 31.5% excluding the foreign exchange impact led by same store sales gains and new stores.

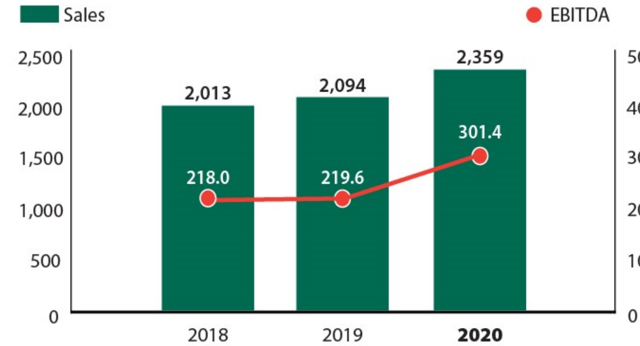
Other sales, which include airline revenue, financial services, fuel and pharmacy, decreased 0.2% compared to 2019 as gains in financial services and pharmacy sales were more than offset by lower passenger revenues in NSA and a decrease in fuel sales due to COVID-19 travel restrictions. Other sales increased 2.4% compared to 2018 mainly due to sales growth in pharmacy and financial services.

Sales Blend The table below shows the consolidated sales blend over the past three years:

	2020	2019	2018
Food	**76.4 %**	75.2 %	74.7 %
General merchandise and other	**23.6 %**	24.8 %	25.3 %

Canadian Operations accounted for 58.3% of total sales (60.7% in 2019 and 61.9% in 2018) while International Operations contributed 41.7% (39.3% in 2019 and 38.1% in 2018).

Sales & EBITDA[(1)] ($ in millions)



(1) See Non-GAAP Financial Measures section.

Gross Profit Gross profit increased 16.6% to $774.6 million compared to $664.4 million last year driven by sales growth and a 111 basis point increase in gross profit rate. The gross profit rate increased to 32.8% compared to 31.7% last year primarily due to favourable changes in product sales blend and higher inventory turns contributing to lower markdowns and inventory shrinkage. These factors were partially offset by a higher blend of CUL sales which carry a lower gross profit rate consistent with a discount warehouse format and the impact of lower margin wholesale food sales as part of the Giant Tiger Transaction.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") of $565.2 million increased $31.2 million or 5.8% compared to last year but were down 154 basis points as a percentage of sales. This increase in Expenses is partially due to a $9.4 million Giant Tiger asset impairment and store closure provision, $18.9 million in higher share-based compensation costs and $18.2 million in insurance-related gains last year offset by the impact of the $24.7 million Giant Tiger Transaction gain and a $5.3 million insurance-related gain this year (collectively "Non-Comparable Factors"). The increase in share-based compensation costs is substantially due to mark-to-market adjustments resulting from changes in the Company's share price. Further information on share-based compensation costs is provided in Note 14 and Note 18 to the consolidated financial statements.

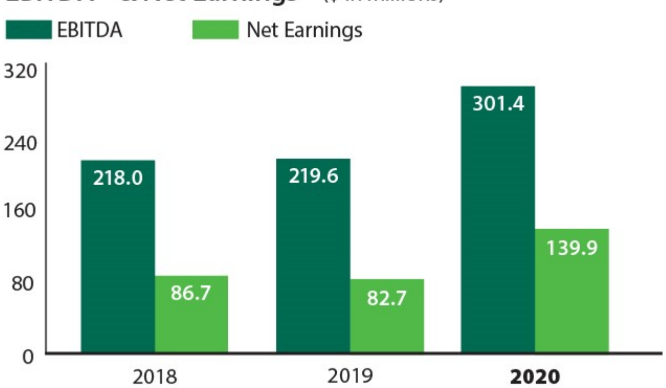
Excluding the impact of the Non-Comparable Factors, Expenses increased $14.7 million or 2.7% to last year but were down 232 basis points as a percentage to sales as higher annual incentive plan costs, COVID-19-related expenses and corporate donations, were partially offset by lower Giant Tiger store expenses related to the Giant Tiger Transaction and Canadian administrative cost reductions, net of a $5.0 million provision for support office employee severance costs. Annual incentive plan costs increased $18.2 million of which $10.8 million relates to front-line associates. COVID-19-related expenses of $19.6 million includes $10.1 million in wage premiums and a special one-time payment of 5% of wages to non-bonus eligible front-line associates in recognition of their contributions to serving our customers and $9.5 million in other COVID-19-related expenses primarily related to additional employees recruited to provide support to stores during outbreaks, the purchase of protective equipment and enhanced sanitation procedures. Donations increased $5.5 million in response to greater community needs during COVID-19. The impact of foreign exchange on the translation of International Operations expenses and higher insurance costs were also factors.

Earnings from Operations (EBIT) and EBITDA[(1)] Earnings from operations or earnings before interest and income taxes ("EBIT") increased 60.6% to $209.3 million compared to $130.4 million last year due to the sales, gross profit and Expense factors previously noted. Earnings before interest, income taxes, depreciation and amortization ("EBITDA[(1)]") increased 37.3% to $301.4 million compared to $219.6 million last year. Adjusted EBITDA[(1)], which excludes the impact of the previously noted Non-Comparable Factors, increased $98.4 million or 48.0% compared to last year driven by earnings gains in both Canadian and International Operations. Additional information on the financial performance of Canadian Operations and International Operations is provided on pages 14 and 16, respectively.

Interest Expense Interest expense decreased 19.8% to $16.8 million compared to $20.9 million last year. This decrease is due to lower average debt levels and lower interest rates. Average debt levels decreased 11.8% compared to last year mainly due to a decrease in amounts drawn on revolving loan facilities. The average cost of debt was 3.2% compared to 3.6% last year. Further information on interest expense is provided in Note 19 to the consolidated financial statements.

Income Tax Expense Income taxes increased to $49.0 million compared to $23.1 million last year and the effective tax rate for the year was 25.4% compared to 21.1% last year. The increase in income tax expense is due to higher earnings and a higher effective tax rate. The increase in the income tax rate is primarily due to the impact of non-deductible share-based compensation costs in Canadian Operations and the blend of earnings in International Operations across various tax rate jurisdictions. Further information on income tax expense, the effective tax rate and deferred tax assets and liabilities is provided in Note 10 to the consolidated financial statements.

EBITDA[(1)] & Net Earnings[(2)] ($ in millions)



(1) See Non-GAAP Financial Measures section.
(2) Net earnings attributable to shareholders of the Company.

Net Earnings Consolidated net earnings increased 66.4% to $143.6 million compared to $86.3 million last year. Net earnings attributable to shareholders of the Company were $139.9 million compared to $82.7 million last year and diluted earnings per share were $2.82 per share compared to $1.68 per share last year due to the factors previously noted. Excluding the impact of the previously noted Non-Comparable Factors, adjusted net earnings[1] increased $69.5 million or 92.2% due to the sales, gross profit and expense factors that contributed to earnings gains in Canadian and International Operations. In 2020, the average exchange rate used to translate International Operations sales and expenses was 1.3390 compared to 1.3246 last year and 1.3041 in 2018.

The Canadian dollar's depreciation versus the U.S. dollar compared to 2019 had the following net impact on the 2020 results:

Sales........increase of $10.6 million or 1.1%
Earnings from operations........increase of $0.7 million
Net earnings........increase of $0.5 million
Diluted earnings per share........increase of $0.01 per share

Total Assets Consolidated total assets for the past three years is summarized in the following table:

($ in thousands)	**2020**	2019	2018
Total assets	**$ 1,191,168**	$ 1,215,536	$ 1,149,861

Consolidated assets decreased $24.4 million or 2.0% compared to 2019 but were up $41.3 million or 3.6% compared to 2018. The decrease in consolidated assets compared to last year is primarily due to the net impact of the Giant Tiger Transaction and a decrease in accounts receivable and deferred tax assets. The Giant Tiger Transaction was the primary factor contributing to the decrease in inventories, property and equipment and right-of-use assets. These decreases were partially offset by the $49.0 promissory note receivable resulting from the Giant Tiger Transaction. Further information on the change in current assets is provided in the working capital section below. The decrease in deferred tax assets is due to an increase in deferred income tax liabilities for income earned in the limited partnership in Canadian Operations. Further information on deferred tax assets is provided in the net assets employed section under Canadian Operations and in Note 10 to the consolidated financial statements. The increase in consolidated assets compared to 2018 is due to increases in property and equipment and cash and the promissory note receivable, partially offset by a decrease in inventories, right-of-use assets and deferred tax assets as previously noted. The impact of foreign exchange also contributed to the decrease in assets as the year-end exchange rate used to translate International Operations assets decreased to 1.2776 compared to 1.3224 last year and 1.3137 in 2018.

Consolidated working capital for the past three years is summarized in the following table:

($ in thousands)	**2020**	2019	2018
Current assets	**$ 396,860**	$ 399,593	$ 376,297
Current liabilities	**$ (315,135)**	$ (194,084)	$ (196,938)
Working capital	**$ 81,725**	$ 205,509	$ 179,359

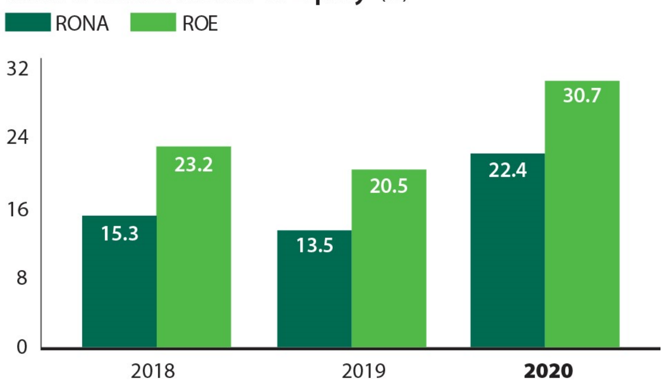
Working capital decreased $123.8 million or 60.2% to $81.7 million compared to 2019 and decreased $97.6 million or 54.4% compared to 2018. Current assets decreased $2.7 million or 0.7% compared to last year but were up $20.6 million or 5.5% compared to 2018. The decrease in current assets compared to 2019 is primarily due to lower accounts receivable, mainly related to insurance claims, and lower inventories due to the Giant Tiger Transaction. A decrease in income tax receivable due to the realization of the income tax receivable from 2019 related to the accelerated tax depreciation on certain capital investments in Canada and the U.S. was also a factor. These factors were largely offset by an increase in cash. Further information on the increase in cash is provided in the consolidated statements of cash flows and the Liquidity and Capital Resources section.

Current liabilities increased $121.1 million or 62.4% compared to last year and were up $118.2 million or 60.0% compared to 2018 substantially due to an $88.6 million increase in the current portion of long-term debt related to US$70.0 million senior notes that mature in June 2021. An increase in accounts payable and accrued liabilities due to higher trade accounts payable and accrued annual incentive plan costs and the impact of foreign exchange on the translation of International Operations working capital were also factors. Further information on working capital for the Canadian Operations and International Operations is on page 15 and page 17, respectively.

Return on net assets employed increased to 22.4% compared to 13.5% in 2019 due to the 60.6% increase in EBIT and a decrease in net assets employed. Additional information on net assets employed for the Canadian Operations and International Operations is on page 15 and page 17 respectively. The adoption of IFRS 16 - *Leases* in 2019 had a significant negative impact on prior years return on net assets employed primarily due to the inclusion of $127.9 million in right-of-use assets. Prior to IFRS 16 - *Leases*, return on net assets employed averaged 18.7% over the ten years from 2009 to 2018.

Return on average equity increased to 30.7% compared to 20.5% in 2019 due to a 66.4% increase in net earnings partially offset by higher average equity compared to last year. Further information on shareholders' equity is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

Return on Net Assets[1] & Equity[1] (%)



(1) See Non-GAAP Financial Measures section.

Total Long-Term Liabilities Consolidated total long-term liabilities for the past three years is summarized in the following table:

($ in thousands)	**2020**	2019	2018
Total long-term liabilities	**$ 370,802**	$ 594,482	$ 541,907

Consolidated long-term liabilities decreased $223.7 million or 37.6% to $370.8 million compared to 2019 and were down $171.1 million or 31.6% from 2018. The decrease in long-term liabilities compared to 2019 and 2018 is substantially due to lower long-term debt and lease liabilities. The decrease in long-term debt is due to an increase in the current portion of long-term debt related to US$70.0 million senior notes that mature in June 2021 and the reduction in amounts outstanding in revolving loan facilities due to stronger earnings. The decrease in lease liabilities is largely due to the Giant Tiger Transaction. The impact of foreign exchange rates on the translation of U.S. denominated debt was also a factor. These factors were partially offset by an increase in defined benefit pension plan obligations compared to 2018 mainly related to a lower discount rate. Further information on long-term debt is included in the Consolidated Liquidity and Capital Resources section and in Note 12 to the consolidated financial statements. Additional information on lease liabilities and defined benefit pension plan obligations is provided in Note 8 and Note 13 respectively to the consolidated financial statements.

Canadian Operations

FINANCIAL PERFORMANCE

Canadian Operations results for the year are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

($ in thousands)	**2020**	2019	2018
Sales	**$1,376,188**	$1,271,552	$1,246,133
Same store sales % increase	**22.3 %**	0.3 %	0.9 %
EBITDA [1]	**$ 206,498**	$ 140,359	$ 130,399
EBIT	**$ 144,141**	$ 77,376	$ 72,822
Return on net assets [1]	**26.3 %**	12.3 %	12.6 %

(1) See Non-GAAP Financial Measures section.

Sales Canadian Operations sales increased $104.6 million or 8.2% to $1.376 billion compared to $1.272 billion in 2019 and were up $130.1 million or 10.4% compared to 2018 driven by exceptional same store sales gains in northern Canada partially offset by lower sales in GT stores as a result of the Giant Tiger Transaction and lower passenger-related revenue in NSA as a result of COVID-19 travel restrictions. The same store sales gains were driven by COVID-19-related consumer spending changes combined with various government income support programs and special settlement payments for individuals. A superior in-stock position and market share gains were also factors.

Same store sales increased 22.3% which is up from 0.3% in 2019 and 0.9% in 2018. Food sales accounted for 68.0% of total Canadian Operations sales compared to 66.3% last year. The balance was made up of general merchandise and other sales at 32.0% (33.7% in 2019). Other sales consist primarily of airline revenue, financial services revenue, fuel and pharmacy.

Food sales increased by 11.0% from 2019 and were up 13.3% compared to 2018 as sales gains in northern Canada stores and new wholesale food sales to Giant Tiger Stores Limited more than offset the impact of lower sales as a result of the Giant Tiger Transaction. Same store food sales increased 18.4% compared to 0.7% in 2019. On a quarterly basis same store food sales increased 15.8%, 23.3%, 18.4% and 15.7% respectively.

General merchandise sales increased 4.3% from 2019 and were up 5.7% compared to 2018 as strong same store sales growth in northern Canada more than offset lower sales in GT stores as a result of the Giant Tiger Transaction. Same store sales increased 37.5% compared to a 1.3% decrease in 2019 led by sales gains in motorized, electronics and home furnishings. On a quarterly basis, same store general merchandise sales increased 12.5%, 53.8%, 46.7% and 41.6%.

Other sales increased 0.5% from 2019 largely due to sales gains in financial services and pharmacy which more than offset lower passenger revenue in NSA as a result of COVID-19 travel restrictions. Other sales increased 3.4% compared to 2018 primarily due to pharmacy and financial services.

Sales Blend The table below shows the sales blend for the Canadian Operations over the past three years:

	2020	2019	2018
Food	**68.0 %**	66.3 %	66.3 %
General merchandise and other	**32.0 %**	33.7 %	33.7 %

Same Store Sales Canadian Operations same store sales for the past three years are shown in the following table. Over this period, same store sales gains in northern Canada stores each year were substantially offset by lower sales in GT stores due to greater discount food competition and lower seasonal general merchandise sales in 2019 and compared to 2018.

Same Store Sales

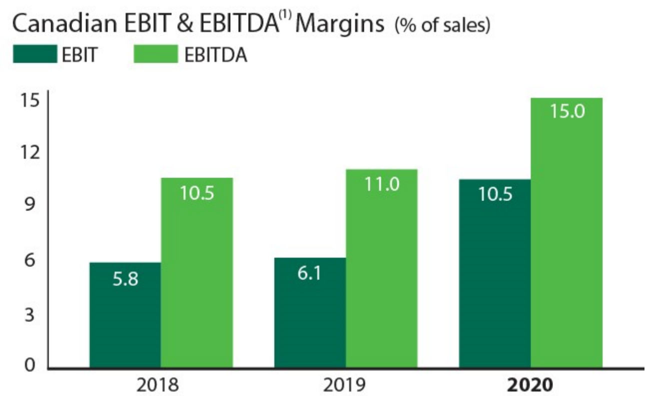
(% change)	**2020**	2019	2018
Food	**18.4 %**	0.7 %	0.4 %
General merchandise (GM)	**37.5 %**	(1.3)%	2.7 %
Total food & GM sales	**22.3 %**	0.3 %	0.9 %

Gross Profit Gross profit dollars increased by 16.0% driven by sales gains and a higher gross profit rate. The increase in gross profit rate was mainly due to changes in product sales blend and lower markdowns and inventory shrinkage due to improved sell-through. A higher gross profit rate in NSA and the impact of lower sales in Giant Tiger stores which have a lower gross profit structure consistent with a discount format were also factors. These factors were partially offset by food price reductions in northern Canada aimed at capturing more local spending dollars and the impact of lower margin wholesale food sales as part of the Giant Tiger Transaction.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 0.4% from 2019 but were down 198 basis points as a percentage of sales. The increase in Expenses is partially due to a $9.4 million Giant Tiger asset impairment and store closure provision, $17.0 million in higher share-based compensation costs and $7.5 million in insurance-related gains last year, offset by the impact of the $24.7 million Giant Tiger Transaction gain and a $5.3 million insurance-related gain this year (collectively "Non-Comparable Factors"). The increase in share-based compensation costs is substantially due to mark-to-market adjustments resulting from changes in the Company's share price.

Excluding the impact of the Non-Comparable Factors, Expenses decreased $2.4 million or 0.7% to last year and were down 229 basis points as a percentage to sales as higher annual incentive plan costs, payments to front-line associates, corporate donations, insurance costs and COVID-19-related expenses, were more than offset by lower Giant Tiger store expenses related to the Giant Tiger Transaction and Canadian administrative cost reductions, net of a $5.0 million provision for support office employee severance costs.

Earnings from Operations (EBIT) and EBITDA[(1)] Earnings from operations increased $66.8 million or 86.3% to $144.1 million compared to $77.4 million in 2019 due to the sales, gross profit and Expense factors previously noted. Earnings from operations as a percentage of sales was 10.5% compared to 6.1% last year. EBITDA[(1)] increased $66.1 million or 47.1% to $206.5 million and was 15.0% as a percentage of sales compared to 11.0% in 2019. Adjusted EBITDA[(1)], which excludes the Non-Comparable Factors previously noted, increased 51.5% driven by earnings gains in northern Canada. Improved earnings in NSA was also a factor as higher cargo volumes and better aircraft utilization more than offset the negative impact of lower passenger-related earnings due to COVID-19 travel restrictions, net of $5.9 million in Canada Emergency Wage Subsidy ("CEWS") and Ontario Remote Air Carrier Support Program ("RACSP") payments.



(1) See Non-GAAP Financial Measures section.

Net Assets Employed Net assets employed decreased 9.0% to $559.8 million compared to $615.3 million last year and were down 4.8% compared to $588.2 million in 2018 as summarized in the following table:

($ in millions at the end of the fiscal year)	**2020**	2019	2018
Property and equipment	**$ 357.5**	$ 367.2	$ 358.0
Right-of-use assets	**50.9**	73.4	74.5
Inventories	**127.4**	148.0	145.8
Accounts receivable	**73.4**	83.6	73.3
Other assets	**148.7**	112.4	106.8
Liabilities	**(198.1)**	(169.3)	(170.2)
Net assets employed	**$ 559.8**	$ 615.3	$ 588.2

The decrease in property and equipment and right-of-use assets compared to last year and 2018 was due to the Giant Tiger Transaction, partially offset by investments in northern Canada stores and the purchase of an ATR-72 500 aircraft which replaced a Basler aircraft. Store-based capital expenditures for the year, which were negatively impacted by COVID-19 travel restrictions, included the reconstruction of a warehouse in Iqaluit, Nunavut that was destroyed by fire in late 2018, the construction of a new store in Pelican Narrows, Saskatchewan and investments in stores, equipment replacements and staff housing.

Inventory decreased $20.6 million compared to 2019 and was down $18.4 million compared to 2018 primarily due to the sale of the Giant Tiger stores. Lower average inventories in northern Canada stores due to the faster sell-through of sealift and winter road inventories was also a factor. Average inventory levels in 2020 decreased $24.4 million or 16.1% compared to 2019 and were down $18.0 million or 12.4% compared to 2018. Inventory turnover was up to 7.4 times compared to 5.6 times last year and 5.8 times in 2018.

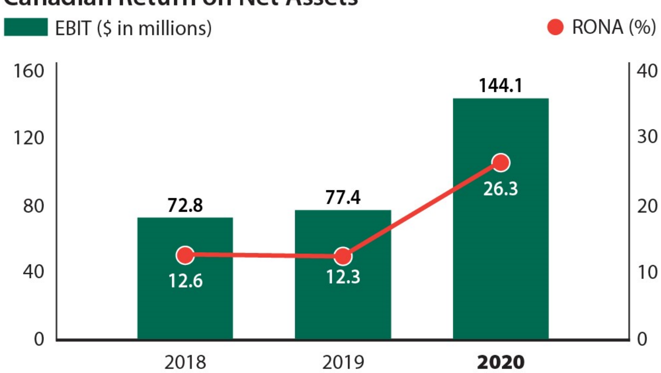
Accounts receivable decreased $10.2 million or 12.2% compared to last year but were flat to 2018. The decrease compared to last year is mainly due to a reduction in insurance claim-related accounts receivable. Average accounts receivable decreased $3.3 million or 4.5% compared to 2019 but were up $2.3 million or 3.3% compared to 2018.

Other assets increased $36.3 million or 32.3% compared to last year and were up $41.8 million or 39.1% compared to 2018. This increase is primarily due to the $49.0 million promissory note receivable from the Giant Tiger Transaction and higher cash, partially offset by a decrease in deferred tax assets. In 2020, the Company recorded a $24.7 million deferred tax liability on earnings in Canadian Operations based on the year-end of the limited partnership. This deferred tax liability has been recorded as a reduction of deferred tax assets. The payment of cash taxes on these earnings will occur over the next 14 months. Further information on deferred tax assets and liabilities is provided in Note 10 to the consolidated financial statements and additional information on the payment of deferred taxes is provided in the Outlook section.

Liabilities increased $28.8 million or 17.0% from 2019 and were up $27.9 million or 16.4% compared to 2018. This increase is largely due to higher accrued annual incentive plan costs and higher trade accounts payable related to the timing of payments. These factors were partially offset by a decrease in the defined benefit plan obligation mainly due to changes in the discount rate. Further information on the defined benefit plan obligation is provided in Note 13 to the consolidated financial statements.

Return on Net Assets (RONA[1]) The return on net assets employed for Canadian Operations increased to 26.3% from 12.3% in 2019 due to an 86.3% increase in EBIT and a $78.9 million or 12.6% decrease in average net assets compared to last year due to the factors previously noted.

Canadian Return on Net Assets[1]



(1) See Non-GAAP Financial Measures section.

International Operations

(Stated in U.S. dollars)

FINANCIAL PERFORMANCE

International Operations results for the year are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

($ in thousands)	2020	2019	2018
Sales	**$ 734,168**	$ 621,200	$ 588,422
Same store sales % increase	**13.6 %**	3.5 %	4.2 %
EBITDA[1]	**$ 70,893**	$ 59,808	$ 67,192
EBIT	**$ 48,699**	$ 39,995	$ 48,447
Return on net assets [1]	**16.9 %**	15.5 %	20.2 %

(1) See Non-GAAP Financial Measures section.

Sales International sales increased 18.2% to $734.2 million compared to $621.2 million in 2019, and were up $145.7 million or 24.8% compared to 2018 led by strong same store sales gains and the re-opening of our CUL store in St. Thomas, USVI. Sales were positively impacted by consumer spending changes, less travel outside communities, especially in Alaska, and COVID-19-related government income support payments within the United States, including the U.S. Territories served by CUL stores. These gains were partially offset by periodic government-mandated COVID-19-related store closures across different Caribbean countries, community curfews and weak economies in the British Virgin Islands, St. Maarten and Curacao. The closure of an AC store and convenience store in Barrow, Alaska on October 31, 2019, net of opening a smaller store in this market on November 1, 2019, and a decrease in the Alaska Permanent Fund Dividend ("PFD") to $992 compared to $1,606 in 2019 and 2018 also negatively impacted sales. Same store sales increased 13.6% compared to 3.5% in 2019 and 4.2% in 2018. Food sales accounted for 88.1% (88.9% in 2019) of total sales with the balance comprised of general merchandise and other sales at 11.9% (11.1% in 2019). Other sales consist primarily of fuel and financial services revenue.

Food sales increased 17.1% from 2019 and were up 24.2% compared to 2018. Same store food sales were up 11.5% on top of a 4.0% increase in 2019. Quarterly same store food sales increases were 17.1%, 12.6%, 9.6% and 7.5% in the fourth quarter.

General merchandise sales increased 31.5% from 2019 and were up 34.6% from 2018. On a same store basis, general merchandise sales were up 31.8% compared to a decrease of 0.7% in 2019 with strong sales gains from both AC and CUL stores. Quarterly same store general merchandise sales increased 9.5%, 58.4%, 21.0% and 35.2% in the fourth quarter led by sales gains in motorized, electronics, home furnishings and seasonal categories.

Other sales, which consist primarily of fuel sales and financial services revenue, were down 14.6% from 2019 and 17.8% from 2018 mainly due to lower fuel sales.

Sales Blend The table below shows the sales blend for the International Operations over the past three years:

	2020	2019	2018
Food	**88.1 %**	88.9 %	88.5 %
General merchandise and other	**11.9 %**	11.1 %	11.5 %

Same Store Sales International Operations same store sales for the past three years are shown in the following table. General merchandise same store sales are impacted by consumer spending on big-ticket durable goods that are largely influenced by special payments, such as government income support payments, the PFD and regional Native corporation dividends, which can result in greater sales volatility.

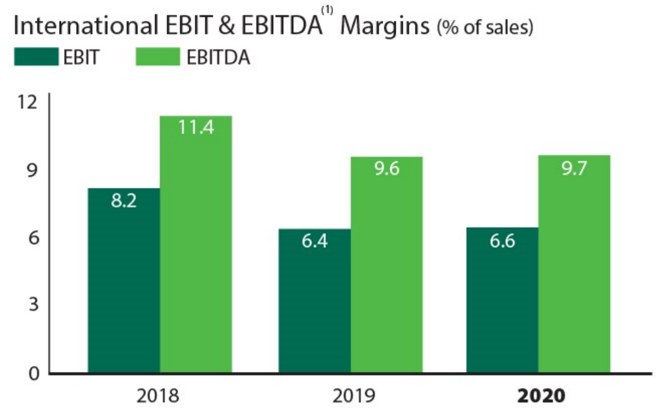
Same Store Sales

(% change)	**2020**	2019	2018
Food	**11.5 %**	4.0 %	4.0 %
General merchandise (GM)	**31.8 %**	(0.7)%	5.6 %
Total food & GM sales	**13.6 %**	3.5 %	4.2 %

Gross Profit Gross profit dollars increased 16.4% as higher sales more than offset a decrease in the gross profit rate. The decrease in the gross profit rate is mainly related to more challenging economic conditions in the British Virgin Islands and a higher blend of Cost-U-Less sales which carry a lower gross profit rate consistent with a discount warehouse format. These factors were partially offset by lower markdowns and inventory shrinkage as a result of improved sell-through.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 14.9% compared to last year but were down 63 basis points as a percentage of sales partially due to the impact of an $8.0 million insurance-related gain last year and higher share-based compensation costs this year. Excluding the impact of the insurance gain and share-based compensation costs, Expenses increased 7.7% compared to last year due to the impact of new stores and higher annual incentive plan costs, COVID-19 wage premiums and a 5% of wages bonus paid to non-bonus eligible front-line and support office associates, insurance costs and COVID-19-related expenses. These factors were partially offset by $3.6 million in support office restructuring and relocation costs last year.

Earnings from Operations (EBIT) and EBITDA(1) Earnings from operations increased $8.7 million or 21.8% to $48.7 million compared to 2019 due to the sales, gross profit and Expense factors previously noted. EBITDA(1) increased $11.1 million or 18.5% to $70.9 million and was 9.7% as a percentage of sales compared to 9.6% in 2019. Excluding the impact of the insurance gains and share-based compensation expense, adjusted EBITDA(1) increased 39.4%.



(1) See Non-GAAP Financial Measures section.

Net Assets Employed International Operations net assets employed of $272.1 million decreased $1.4 million or 0.5% compared to last year but were up $21.1 million or 8.4% to 2018 as summarized in the following table:

($ in millions at the end of the fiscal year)	**2020**	2019	2018
Property and equipment	**$ 136.4**	$ 142.0	$ 119.5
Right-of-use assets	**45.8**	41.2	40.6
Inventories	**78.0**	75.6	68.9
Accounts receivable	**14.1**	16.1	13.0
Other assets	**67.8**	48.7	56.6
Liabilities	**(70.0)**	(50.1)	(47.6)
Net assets employed	**$ 272.1**	$ 273.5	$ 251.0

Property and equipment decreased $5.6 million or 3.9% to last year as amortization exceeded lower investments mainly due to COVID-19-related travel restrictions but increased compared to 2018 mainly due to the reconstruction of the CUL store in St. Thomas, USVI that was completely destroyed by hurricane Irma in 2017. The increase in right-of-use assets compared to last year and 2018 is due to lease renewals.

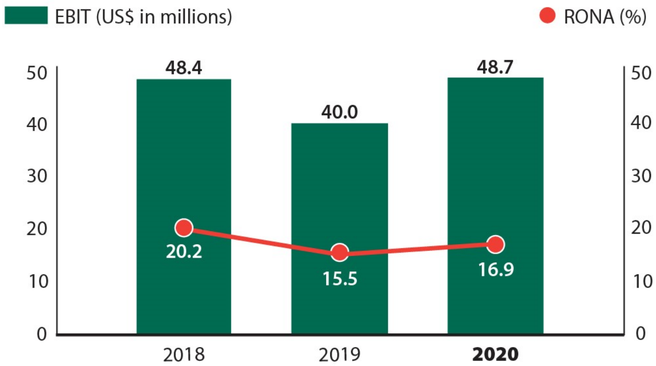
Inventories increased $2.4 million or 3.2% compared to last year and were up $9.1 million or 13.2% from 2018. The increase from 2018 is largely due to the re-opening of the St. Thomas CUL store. Average inventory levels in 2020 were up 7.2% compared to 2019 and were up 14.3% compared to 2018 mainly due to new stores. Inventory turnover improved to 6.6 times compared to 6.0 times in 2019 and 6.1 times in 2018.

Other assets increased $19.1 million or 39.2% compared to last year and were up $11.2 million or 19.8% compared to 2018 primarily due to higher cash balances.

Liabilities increased $19.9 million or 39.7% compared to 2019 and were up $22.4 million or 47.0% compared to 2018 substantially due to higher trade accounts payable related to the timing of payments, higher annual incentive plan costs and an increase in income tax payable.

Return on Net Assets (RONA[1]) The return on net assets employed for International Operations increased to 16.9% compared to 15.5% in 2019 due to a 21.8% increase in EBIT partially offset by an $29.4 million or 11.4% increase in average net assets mainly due to the re-opening of the St. Thomas CUL store on November 1, 2019.

International Return on Net Assets [1]



(1) See Non-GAAP Financial Measures section.

Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

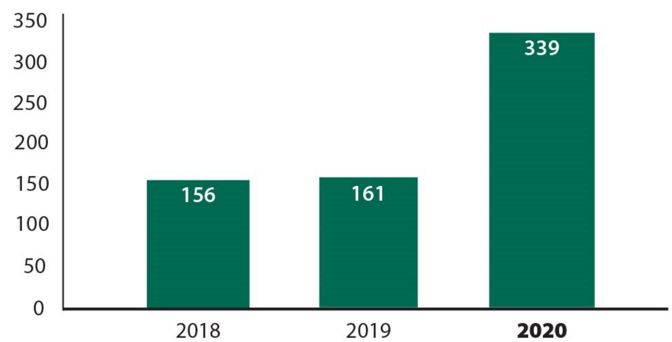
($ in thousands)	**2020**	2019	2018
Cash provided by (used in):			
Operating activities before change in non-cash working capital and other	**$271,652**	$ 197,021	$ 177,833
Change in non-cash working capital	**58,975**	(28,670)	(20,824)
Change in other non-cash items	**8,091**	(7,234)	(1,284)
Operating activities	**338,718**	161,117	155,725
Investing activities	**(66,900)**	(104,272)	(80,793)
Financing activities	**(227,060)**	(67,236)	(62,357)
Effect of foreign exchange	**(1,409)**	130	713
Net change in cash	**$ 43,349**	$ (10,261)	$ 13,288

Cash from Operating Activities Cash flow from operating activities increased $177.6 million or 110.2% to $338.7 million compared to 2019 due to a $74.6 million increase in cash earnings to $271.7 million and an increase in cash from the change in non-cash working capital and other non-cash items of $103.0 million. The $74.6 million increase in cash flow from operating activities before working capital and other items in 2020 compared to 2019 is mainly due to a $57.3 million or 66.4% increase in net earnings, lower taxes paid due to timing of installments related to the limited partnership year-end, partially offset by the net impact of the Giant Tiger Transaction gain and store closure provision.

The change in non-cash working capital is primarily due to the change in inventories, accounts receivable and accounts payable and accrued liabilities compared to the prior years. Further information on working capital is provided in the Canadian and International net assets employed sections on pages 15 and 17, respectively. The change in other non-cash items is largely due to changes in other long-term liabilities, primarily related to share-based compensation and defined benefit pension obligation.

Cash flow from operating activities and unutilized credit 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 2021.

Cash Flow from Operating Activities ($ in millions)



Cash Used in Investing Activities Net cash used in investing activities was $66.9 million compared to $104.3 million in 2019 and $80.8 million in 2018. This decrease is mainly due to lower investments in store-based property and equipment due to COVID-19 travel restrictions. Net investing in Canadian Operations was $55.0 million net of $5.3 million in insurance proceeds compared to $63.2 million net of $11.8 million in insurance proceeds in 2019 and $69.2 million in 2018. A summary of the Canadian Operations investing activities is included in net assets employed on page 15. Investing in International Operations was $11.9 million compared to $41.1 million, net of $5.5 million in insurance proceeds in 2019 and $11.6 million, net of $18.8 million in insurance proceeds in 2018. A summary of the International Operations investing activities is included in net assets employed on page 17.

The following table summarizes the number of stores and selling square footage under North West's various retail banners at the end of the fiscal year:

	Number of Stores		**Selling square footage**	
	2020	2019	**2020**	2019
Northern	**118**	117	**693,389**	689,051
NorthMart	**5**	5	**128,185**	116,156
Quickstop	**30**	28	**41,024**	38,509
Giant Tiger	**5**	46	**90,470**	754,523
Alaska Commercial	**27**	27	**249,212**	249,212
Cost-U-Less	**12**	12	**344,695**	344,695
Riteway Food Market	**9**	8	**61,899**	58,650
Other Formats	**6**	6	**44,097**	27,842
Total at year-end	**212**	249	**1,652,971**	2,278,638

In Canadian Operations, a Northern store and a Quickstop convenience store were opened. The decrease in the number of Giant Tiger stores is due to the sale of 36 stores and closure of four stores as part of the Giant Tiger Transaction as previously noted. Under Other Formats, one Giant Tiger store and a fur marketing branch were combined into one location and converted to a Valu Lots clearance center. Total selling square footage in Canada decreased 39.0% to 986,087 compared to 1,616,780 in 2019 due to the sale of Giant Tiger stores.

In International Operations, a QuickStop convenience store was opened in Alaska and a Riteway Food Market convenience store was opened in the British Virgin Islands. Total selling square footage increased to 666,884 compared to 661,858 last year due to the store openings.

Cash Used in Financing Activities Cash used in financing activities was $227.1 million compared to cash used of $67.2 million in 2019. The change compared to last year is largely due to a decrease in long-term debt net of the issuance of $94.8 million (US$70.0 million) senior notes, an increase in shareholder dividends and $6.0 million for shares purchased under a normal course issuer bid. These factors were partially offset by a decrease in interest payments related to lower average debt levels and interest rates. Further information on dividends, the normal course issuer bid, interest and long-term debt is provided in the following sections.

Shareholder Dividends The Company paid dividends of $67.3 million or $1.38 per share compared to $64.4 million or $1.32 per share in 2019. Further information on dividends is included in Note 20 to the consolidated financial statements.

The following table shows the quarterly cash dividends per share paid for the past three years:

	2020	2019	2018
First Quarter	**$ 0.33**	$ 0.33	$ 0.32
Second Quarter	**0.33**	0.33	0.32
Third Quarter	**0.36**	0.33	0.32
Fourth Quarter	**0.36**	0.33	0.32
Total	**$ 1.38**	$ 1.32	$ 1.28

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

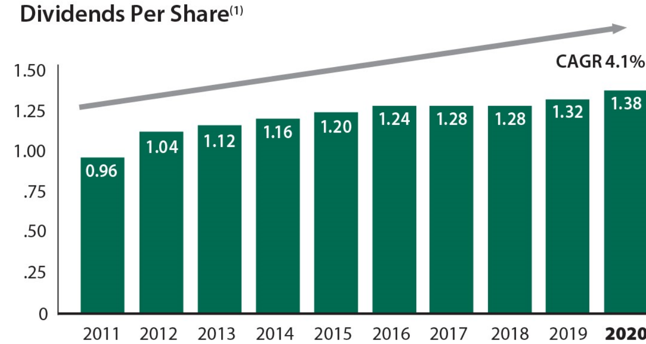
The following table shows dividends paid in comparison to cash flow from operating activities for the past three years:

	2020	2019	2018
Dividends	**$ 67,276**	$ 64,351	$ 62,329
Cash flow from operating activities	**$ 338,718**	$ 161,117	$ 155,725
Dividends as a % of cash flow from operating activities	**19.9 %**	39.9 %	40.0 %

Dividends as a percentage of cash flow from operating activities decreased compared to 2019 and 2018 as the increase in dividends was more than offset by the increase in cash flow from operating activities as previously noted.

The Company has a well established track record of increasing distributions and dividends whether structured as an income trust or as a share corporation. Since converting back to a share corporation on January 1, 2011, the dividend has increased at a compound annual growth rate ("CAGR") of 4.1% over the past nine years as shown in the following graph:

Dividends Per Share(1)



(1) North West Company Fund converted to a share corporation effective January 1, 2011. In addition to the $0.96 per share dividend paid in 2011, the Company also paid a $0.09 per unit final distribution from the Fund as part of the conversion to a share corporation.

On April 7, 2021, the Board of Directors approved a quarterly dividend of $0.36 per share to shareholders of record on April 16, 2021 and to be paid on April 28, 2021.

Normal Course Issuer Bid On November 10, 2020, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company may acquire up to a maximum of 4,807,437 of its shares, or approximately 10% of its float for cancellation over the following 12 months. During the year ended January 31, 2021, the Company purchased 180,774 common shares having a book value of $0.6 million for cash consideration of $6.0 million. The excess of the purchase price over the book value of the shares of $5.4 million was charged to retained earnings. All shares purchased were cancelled.

In connection with the NCIB, the Company has established an automatic securities purchase plan with its designated broker to facilitate the purchase of Shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its Shares due to regulatory restrictions or self-imposed blackout periods. Under the Plan, before entering a self-imposed blackout period, North West may, but is not required to, ask the designated broker to make purchases under the NCIB within specific parameters.

Sources of Liquidity In June 2020, the Company issued US$70.0 million senior notes in two tranches; US$35.0 million due June 16, 2027 with a fixed interest rate of 2.88% and US$35.0 million due June 16, 2032 with a fixed interest rate of 3.09%. These senior notes are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt comprised of the $300.0 million Canadian Operations loan facilities, the $100.0 million senior notes, the US$52.0 million loan facilities and the US$70.0 million senior notes that mature June 16, 2021 (collectively "Senior Debt"). The proceeds from the issuance of the senior notes were used to reduce amounts drawn on the Company's revolving loan facilities in Canadian Operations and provide additional capacity for growth opportunities that may arise during the COVID-19 pandemic environment or to repay the US$70.0 million senior notes when they mature on June 16, 2021.

At January 31, 2021, the Canadian Operations have outstanding US$70.0 million senior notes (January 31, 2020 - US$70.0 million) that mature June 16, 2021 and have a fixed interest rate of 3.27% on US$55.0 million and a floating interest rate on US$15.0 million based on U.S. LIBOR plus a spread, payable semi-annually. The Company also has outstanding $100.0 million in senior notes (January 31, 2020 - $100.0 million) that mature September 26, 2029 and have a fixed interest rate of 3.74%. The senior notes are secured by certain assets of the Company and rank *pari passu* with the Company's other Senior Debt. The Company has designated certain U.S. denominated debt as a hedge against the U.S. dollar investment in the International Operations. For more information on the senior notes and financial instruments, see Note 12 and Note 15 to the consolidated financial statements.

The Canadian Operations also have committed, revolving loan facilities of $300.0 million that bear a floating rate of interest based on Bankers Acceptances rates plus a stamping fee and mature on September 26, 2022. These facilities are secured by certain assets of the Company and rank *pari passu* with the Company's other Senior Debt. At January 31, 2021, the Company had drawn $NIL on these facilities (January 31, 2020 - $176.7 million).

The Company has committed, revolving loan facilities of US$52.0 million that bear interest at U.S. LIBOR plus a spread and mature on September 26, 2022. These facilities are secured by certain assets of the Company and rank *pari passu* with the Company's other Senior Debt. At January 31, 2021, the Company had drawn US$NIL on these facilities (January 31, 2020 - US$27.9 million).

The International Operations have a US$40.0 million loan facility that bears a floating rate of interest based on U.S. LIBOR plus a spread. In February 2020, the Company extended the maturity date on this facility to February 2025. This facility is secured by certain assets of the International Operations. At January 31, 2021, the International Operations had drawn US$NIL million on this facility (January 31, 2020 - US$0.7 million).

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At January 31, 2021, 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.

Interest Costs and Coverage

	2020	2019	2018
Coverage ratio	**12.5**	6.2	6.9
EBIT ($ in millions)	**$ 209.3**	$ 130.4	$ 136.0
Interest ($ in millions)	**$ 16.8**	$ 20.9	$ 19.6

The coverage ratio of earnings from operations ("EBIT") to interest expense has increased to 12.5 times compared to 6.2 times in 2019 and 6.9 times in 2018 due to a $4.1 million decrease in interest expense and a 60.6% increase in consolidated EBIT as previously noted. Additional information on interest expense is provided in Note 19 to the consolidated financial statements.

Contractual Obligations and Other Commitments

Contractual obligations of the Company at January 31, 2021 are listed in the chart below:

($ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	6 Years+
Long-term debt	$281,422	$ 90,456	$ 1,410	$ 256	$189,300
Lease payments	142,262	20,148	36,781	25,423	59,910
Other liabilities (1)	20,908	7,434	13,474	—	—
Total	$444,592	$118,038	$ 51,665	$ 25,679	$249,210

(1) At year-end, the Company had additional long-term liabilities of $57.2 million which include other liabilities, defined benefit plan obligations and deferred income tax liabilities. These liabilities have not been included as the timing and amount of the future payments are uncertain.

Post-Employment Benefits The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. The Company recorded net actuarial gains on defined benefit pension plans of $3.7 million net of deferred income taxes in other comprehensive income. This compares to net actuarial losses on defined benefit pension plans of $8.5 million in 2019 and gains of $5.0 million in 2018. These gains and losses in other comprehensive income were immediately recognized in retained earnings. Actuarial gains and losses occur primarily due to changes in the discount rate used to calculate pension liabilities and returns on pension plan assets.

In 2021, the Company will be required to contribute approximately $1.6 million to the defined benefit pension plans. In addition to the cash funding, a portion of the pension plan obligation may be settled by the issuance of a letter of credit in accordance with pension legislation. In 2020, the Company's cash contributions to the pension plan were $1.6 million compared to $3.5 million in 2019 and $2.3 million in 2018. The actual amount of the contribution may be different from the estimate based on actuarial valuations, plan investment performance, volatility in discount rates, regulatory requirements and other factors. The Company also expects to contribute approximately $5.0 million to the defined contribution pension plan and U.S. employees savings plan in 2021 compared to $5.4 million in 2020 and $5.3 million in 2019. Additional information regarding post-employment benefits is provided in Note 13 to the consolidated financial statements.

Director and Officer Indemnification Agreements The Company has agreements with its current and former directors, trustees, and officers to indemnify them against charges, costs, expenses, amounts paid in settlement and damages incurred from any lawsuit or any judicial, administrative or investigative proceeding in which they are sued as a result of their service. Due to the nature of these agreements, the Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. The Company has also purchased directors', trustees' and officers' liability insurance. No amount has been recorded in the consolidated financial statements regarding these indemnification agreements.

Other Indemnification Agreements The Company provides indemnification agreements to counterparties for events such as intellectual property right infringement, loss or damage to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these agreements are based on the specific contract. The Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. No amount has been recorded in the consolidated financial statements regarding these agreements.

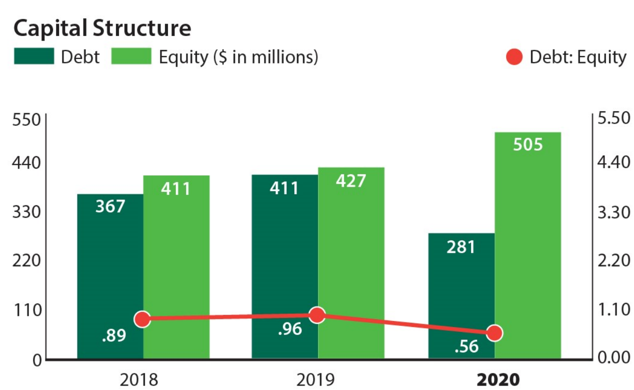
Additional information on commitments, contingencies and guarantees is provided in Note 22 to the consolidated financial statements.

Related Parties The Company has a 50% ownership interest in a Canadian Arctic shipping company, Transport Nanuk Inc. and purchases freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries. The purchases are based on market rates for these types of services in an arm's length transaction. Additional information on the Company's transactions with Transport Nanuk Inc. is included in Note 23 to the consolidated financial statements.

Letters of Credit In the normal course of business, the Company issues standby letters of credit in connection with defined benefit pension plans, purchase orders and performance guarantees. The aggregate potential liability related to letters of credit is approximately $22.0 million (January 31, 2020 - $21.0 million).

Capital Structure The Company's capital management objectives are to deploy capital to provide an appropriate total return to shareholders while maintaining a capital structure that provides the flexibility to take advantage of growth opportunities, maintain existing assets, meet obligations and financial covenants and enhance shareholder value. The capital structure of the Company consists of bank advances, long-term debt and shareholders' equity. The Company manages capital to optimize efficiency through an appropriate balance of debt and equity. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue additional shares, borrow additional funds, adjust the amount of dividends paid or refinance debt at different terms and conditions.

The Company's capital structure over the past three years is summarized in the following graph.



On a consolidated basis, the Company had $281.4 million in debt and $505.2 million in equity at the end of the year and a debt-to-equity ratio of 0.56:1 compared to 0.96:1 last year. From 2018 to 2020, equity has increased $94.2 million or 22.9% and debt has decreased $85.3 million or 23.3%. During this same period, the Company has made capital expenditures, including acquisitions and net of insurance proceeds, of $259.7 million and has paid dividends of $194.0 million. This reflects the Company's balanced approach of investing to sustain and grow the business while providing shareholders with an annual cash return.

The debt outstanding at the end of the fiscal year is summarized as follows:

(CAD$ in thousands at the end of the fiscal year)	**2020**	2019	2018
CAD$ senior notes	**$ 100,000**	$ 100,000	$ 100,000
US$ senior notes	**89,300**	92,334	91,666
US$ senior notes	**89,300**	—	—
Canadian loan facilities	—	176,716	134,791
U.S. loan facilities	—	37,893	36,700
Promissory note payable	**2,822**	4,022	3,600
Total debt	**$ 281,422**	$ 410,965	$ 366,757

Consolidated debt at the end of the year decreased $129.6 million or 31.5% to $281.4 million compared to $411.0 million in 2019, and was down $85.3 million or 23.3% from $366.8 million in 2018. The decrease in debt is primarily due to lower amounts drawn on the revolving loan facilities. The impact of foreign exchange on the translation of U.S. denominated debt was also a factor. The Company has US$140.8 million in debt at January 31, 2021 (January 31, 2020 - US$99.7 million, January 31, 2019 - US$97.9 million) that is exposed to changes in foreign exchange rates when translated into Canadian dollars. The exchange rate used to translate U.S. denominated debt into Canadian dollars at January 31, 2021 was 1.2776 compared to 1.3224 at January 31, 2020 and 1.3137 at January 31, 2019. The change in the foreign exchange rate resulted in a $6.3 million decrease in debt compared to 2019 and a $5.1 million decrease compared to 2018. Average debt outstanding during the year excluding the foreign exchange impact decreased $63.5 million or 16.8% from 2019 and was down $16.9 million or 5.1% compared to 2018

Lease liabilities at the end of the fiscal year are summarized as follows:

(CAD$ in thousands at the end of the fiscal year)	**2020**	2019	2018
Current portion of lease liability	**$ 16,393**	$ 19,176	$ 21,836
Non-current lease liabilities	**104,226**	119,928	118,112
Total lease liabilities	**$ 120,619**	$ 139,104	$ 139,948

Lease liabilities decreased $18.5 million or 13.3% to $120.6 million compared to $139.1 million in 2019 and were down $19.3 million or 13.8% compared to $139.9 million in 2018. The decrease compared to 2019 and 2018 is largely due to stores sold as part of the Giant Tiger Transaction partially offset by new store leases in both Canadian and International Operations. Further information on lease liabilities is provided in Note 8 to the consolidated financial statements.

Shareholders' Equity The Company has an unlimited number of authorized shares and had issued and outstanding shares at January 31, 2021 of 48,613,319 (January 31, 2020 - 48,750,929). The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Each option is exercisable into one common share of the Company at a price specified in the option agreement. At January 31, 2021, there were 2,052,638 options outstanding representing 4.2% of the issued and outstanding shares. In addition to share options, there were 322,910 in Performance Share Units ("PSU") that may be settled by the issuance of shares based on meeting certain performance criteria and 314,829 in Director Deferred Share Units ("DDSU") that may be settled by the issuance of shares. Further information on share options, PSUs and DDSUs is provided in Note 14 to the consolidated financial statements.

Effective June 12, 2019, the Company amended the rights of its shares to align them with the Canada Transportation Act ("CTA"), as amended by the provisions of the Transportation Modernization Act (Canada). The purpose of these amendments is to increase the permitted level of foreign ownership allowed in respect of Canadian air service from 25% to 49%, subject to certain restrictions.

The Company's share capital is comprised of Variable Voting Shares and Common Voting Shares. The two classes of shares have equivalent rights as shareholders except for voting rights. Holders of Variable Voting Shares are entitled to one vote per share except where (i) the number of outstanding Variable Voting Shares exceeds 49% of the total number of all issued and outstanding Variable Voting Shares and Common Voting Shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting on any matter on which a vote is to be taken exceeds 49% of the total number of votes cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 49% of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Common Voting Shares of the Company. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for the given Shareholders' meeting, carry more than 49% of the total number of votes cast at the meeting.

Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians (within the meaning of the CTA). An issued and outstanding Variable Voting Share is converted into one Common Voting Share automatically and without any further act of the Company or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, as defined in the CTA. Further information on the Company's Variable Voting Shares and Common Voting Shares is provided in the April 7, 2021 Management Information Circular which is available on the Company's website at *www.northwest.ca* or on SEDAR at *www.sedar.com*.

At January 31, 2021, there were 16,379,039 Variable Voting Shares, representing 33.7% of the total shares issued and outstanding. Further information on the Company's share capital is provided in Note 16 to the consolidated financial statements.

Book value per share attributable to shareholders, on a diluted basis, at the end of the year increased to $9.92 per share compared to $8.38 per share in 2019. Total shareholders' equity increased $78.3 million or 18.3% compared to 2019 primarily due to an increase in retained earnings and contributed surplus. Further information is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

QUARTERLY FINANCIAL INFORMATION

Historically, the Company's first quarter sales are the lowest and fourth quarter sales are the highest, reflecting consumer buying patterns. Due to the remote location of many of the Company's stores, weather conditions are often more extreme compared to other retailers and can affect sales in any quarter. In 2020, the decrease in sales in the third and fourth quarter compared to the first two quarters of the year is primarily due to the Giant Tiger Transaction. Net earnings generally follow higher sales, but can be dependent on changes in merchandise sales blend, promotional activity in key sales periods, variability in share-based compensation costs related to changes in the Company's share price and other factors which can affect net earnings.

The following is a summary of selected quarterly financial information:

($ thousands)	Q1	Q2	Q3	Q4	Total
Sales					
2020	$ 592,569	$ 648,504	$ 552,975	$ 565,191	$ 2,359,239
2019	$ 494,529	$ 527,282	$ 519,521	$ 553,061	$ 2,094,393
EBITDA(1)					
2020	$ 43,373	$ 110,929	$ 75,715	$ 71,410	$ 301,427
2019	$ 58,248	$ 51,615	$ 59,279	$ 50,433	$ 219,575
Earnings from operations (EBIT)					
2020	$ 19,471	$ 87,830	$ 52,934	$ 49,114	$ 209,349
2019	$ 37,033	$ 29,596	$ 36,990	$ 26,734	$ 130,353
Net earnings					
2020	$ 12,254	$ 62,560	$ 35,914	$ 32,832	$ 143,560
2019	$ 26,225	$ 17,947	$ 24,838	$ 17,263	$ 86,273
Net earnings attributable to shareholders of the Company					
2020	$ 11,274	$ 61,929	$ 34,611	$ 32,060	$ 139,874
2019	$ 25,124	$ 17,155	$ 24,101	$ 16,344	$ 82,724
Earnings per share-basic					
2020	$ 0.23	$ 1.27	$ 0.71	$ 0.66	$ 2.87
2019	$ 0.52	$ 0.35	$ 0.49	$ 0.34	$ 1.70
Earnings per share-diluted					
2020	$ 0.23	$ 1.25	$ 0.71	$ 0.63	$ 2.82
2019	$ 0.51	$ 0.35	$ 0.49	$ 0.33	$ 1.68

(1) See Non-GAAP Financial Measures section.

Fourth Quarter Highlights

CONSOLIDATED RESULTS FOURTH QUARTER

Key Performance Indicators and Selected Fourth Quarter Information

($ in thousands, except per share)	2020	2019	2018
Sales	**$ 565,191**	$ 553,061	$ 532,483
Same store sales % increase(2)			
Food	**12.0 %**	1.5 %	4.6 %
General Merchandise	**39.8 %**	(1.7)%	2.0 %
Total	**16.8 %**	0.8 %	4.0 %
Gross profit	**$ 187,873**	$ 169,154	$ 165,321
Selling, operating and administrative expenses	**(138,759)**	(142,420)	(142,075)
EBITDA(1)	**71,410**	50,433	44,290
EBIT	**49,114**	26,734	23,246
Interest expense	**(3,448)**	(5,632)	(5,328)
Income taxes	**(12,834)**	(3,839)	(3,953)
Net earnings	**32,832**	17,263	13,965
Net earnings attributable to shareholders of the Company	**32,060**	16,344	13,068
Net earnings per share - basic	**0.66**	0.34	0.27
Net earnings per share - diluted	**$ 0.63**	$ 0.33	$ 0.27

(1) See Non-GAAP Financial Measures section.
(2) All references to same store sales exclude the foreign exchange impact.

Consolidated Fourth Quarter Sales Sales for the quarter increased 2.2% to $565.2 million as strong same store sales gains were largely offset by lower sales in Giant Tiger stores related to the previously announced sale of 36 stores which was completed on July 5, 2020 and the closure of five stores in the third quarter (the "Giant Tiger Transaction"). Further information on the Giant Tiger Transaction is provided in the annual Consolidated Results section on page 11 and in Note 24 to the consolidated financial statements. Excluding the foreign exchange impact, consolidated sales increased 2.4% and were up 16.8%(2) on a same store basis. Food sales(2) increased 4.4% and were up 12.0% on a same store basis and general merchandise sale(2) decreased 4.7% due to the Giant Tiger Transaction but were up 39.8% on a same store basis. Similar to the first three quarters of the year, sales were driven by market share gains and COVID-19-related factors including consumer spending changes in favor of in-community and at-home activities, supported by enhanced government income support payments to individuals in many of the jurisdictions in which the Company operates. Lower food prices in northern Canada stores and strong in-stock conditions also contributed to capturing a higher share of consumer spending.

Gross Profit Gross profit increased 11.1% driven by sales gains and a 266 basis point rate increase compared to last year. The increase in gross profit rate was primarily due to favourable changes in product sales blend and higher inventory turns contributing to lower markdowns and inventory shrinkage. These factors were partially offset by a higher blend of CUL sales which carry a lower gross profit rate consistent with CUL's discount warehouse format and the impact of lower margin wholesale food sales as part of the Giant Tiger Transaction.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased $3.7 million compared to last year and were down 120 basis points as a percentage to sales. The decrease in Expenses related to the Giant Tiger Transaction and lower Canadian administration costs was largely offset by an increase in annual incentive plan costs, the impact of COVID-19-related expenses and higher share-based compensation costs. COVID-19-related expenses of $5.8 million include $3.5 million in wage premiums and a special one-time payment of 5% of wages to non-bonus eligible front-line in recognition of their contributions to serving our customers and $2.3 million in other COVID-19-related expenses primarily related to temporary workers to provide additional support during outbreaks, the purchase of protective equipment and enhanced sanitation procedures. A $2.7 million increase in share-based compensation costs primarily due to mark-to-market adjustments resulting from changes in the Company's share price was also a factor. These factors were partially offset by insurance-related gains of $5.3 million this year compared to $3.2 million last year.

Earnings from operations and EBITDA(1) Earnings from operations or earnings before interest and taxes ("EBIT") increased $22.4 million to $49.1 million compared to $26.7 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA(1)") increased $21.0 million to $71.4 million due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA(1), which excludes share-based compensation costs and insurance-related gains, increased $21.6 million compared to last year and as a percentage to sales was 12.2% compared to 8.6%.

Interest Expense Interest expense decreased 38.8% to $3.4 million compared to $5.6 million last year. The decrease in interest expense is mainly due to lower average debt levels related to a reduction in amounts drawn on revolving loan facilities. Further information on debt is provided in Note 12 to the consolidated financial statements. Lower costs of borrowing were also a factor.

Income Tax Expense Income tax expense was $12.8 million compared to $3.8 million last year and the consolidated effective tax rate was 28.1% compared to 18.2%. The increase in income tax expense is due to higher earnings and a higher effective tax rate. The increase in the income tax rate was primarily due to the blend of earnings in International Operations across various tax rate jurisdictions. The impact of non-tax deductible share-based compensation costs in Canadian Operations was also a factor.

Net Earnings Consolidated net earnings increased $15.6 million to $32.8 million. Net earnings attributable to shareholders were $32.1 million and diluted earnings per share were $0.63 per share compared to $0.33 per share last year due to the factors noted above. Adjusted net earnings(1), which excludes the impact of the after-tax share-based compensation costs and after-tax insurance-related gains, increased $15.3 million compared to last year driven by earnings gains in Canadian Operations and International Operations resulting from the factors previously noted.

CANADIAN OPERATIONS FOURTH QUARTER

Canadian Operations results for the fourth quarter are summarized by the following key performance indicators:

Key Performance Indicators

($ in thousands)	2020	2019	2018
Sales	**$ 328,429**	$ 333,213	$ 324,348
Same store sales % increase			
Food	**15.7 %**	1.6 %	1.5 %
General Merchandise	**41.6 %**	(2.0)%	1.9 %
Total	**21.2 %**	0.7 %	1.6 %
EBITDA (1)	**$ 53,391**	$ 34,401	$ 28,839
EBIT	**$ 38,444**	$ 17,642	$ 13,858

(1) See Non-GAAP Financial Measures section.

Sales Canadian Operations sales decreased 1.4% to $328.4 million compared to $333.2 million in the fourth quarter last year as strong same store sales gains were more than offset by divested stores as a result of the Giant Tiger Transaction. Same store sales increased 21.2% driven by market share gains and COVID-19-related consumer spending changes combined with various income support programs for individuals. These factors were partially offset by periodic COVID-19-related community curfews and store closures. Food sales increased 2.4% and were up 15.7% on a same store basis due to the factors previously noted. General merchandise sales decreased 13.9% from the fourth quarter last year due to the Giant Tiger Transaction but were up 41.6% on a same store basis led by strong sales gains in motorized, home furnishings and electronics categories.

Gross Profit Gross profit increased 12.1% driven by sales gains and a higher gross profit rate. The change in gross profit rate is primarily due to changes in product sales blend and lower markdowns and inventory shrinkage due to improved sell-through. A higher gross profit rate in North Star Air ("NSA") and the impact of lower sales in Giant Tiger stores which have a lower gross profit structure consistent with a discount format were also factors. These factors were partially offset by food price reductions in northern Canada aimed at capturing more local spending dollars and the impact of lower margin wholesale food sales as part of the Giant Tiger Transaction.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased 8.3% and were down 191 basis points as a percentage to sales compared to the fourth quarter last year due to the impact of three-months less operations as a result of the Giant Tiger Transaction, savings from the Winnipeg support office cost reductions announced in the first quarter and the impact of a $5.3 million insurance-related gain this year compared to a $3.2 million insurance-related gain last year. These factors were partially offset by higher annual incentive plan costs, COVID-19-related wage premiums and payments to non-bonus eligible front-line and support office employees and a $2.1 million increase in share-based compensation costs.

Canadian Earnings from Operations (EBIT) Canadian fourth quarter earnings from operations increased to $38.4 million compared to $17.6 million last year and EBITDA(1) increased 55.2% to $53.4 million compared to $34.4 million in the same quarter last year due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA(1), which excludes the impact of the share-based compensation costs and insurance-related gains, increased $19.0 million compared to last year driven by sales gains in northern Canada, improved earnings in NSA and the impact of the Giant Tiger Transaction. NSA EBITDA(1) increased compared to last year as higher cargo volumes and better aircraft utilization more than offset the negative impact of lower passenger-related earnings, net of $2.3 million in Canada Emergency Wage Subsidy ("CEWS") payments and Ontario Remote Air Carrier Support Program ("RACSP") payments.

INTERNATIONAL OPERATIONS FOURTH QUARTER

(Stated in U.S. dollars)

International Operations results for the fourth quarter are summarized by the following key performance indicators:

Key Performance Indicators

($ in thousands)	2020	2019	2018
Sales	**$ 183,929**	$ 167,002	$ 156,159
Same store sales % increase			
Food	**7.5 %**	1.3 %	9.9 %
General Merchandise	**35.2 %**	(0.4)%	2.2 %
Total	**10.7 %**	1.1 %	9.0 %
EBITDA(1)	**$ 14,199**	$ 12,212	$ 11,415
EBIT	**$ 8,492**	$ 6,939	$ 6,878

(1) See Non-GAAP Financial Measures section.

Sales International Operations fourth quarter sales increased 10.1% to $183.9 million compared to $167.0 million in the fourth quarter last year driven by same store sales growth of 10.7%. Food sales increased 7.4% and were up 7.5% on a same store basis and general merchandise sales increased 34.2% and were up 35.2% on a same store basis. Sales were positively impacted by COVID-19-related consumer spending changes and government income support payments within the United States, including U.S. Territories served by CUL. Strong in-stock conditions and market share gains were also factors. These factors were partially offset by periodic government-mandated COVID-19-related store closures across different Caribbean countries and weak economies in the British Virgin Islands, Curacao and St. Maarten.

Gross Profit Gross profit increased 11.7% compared to the fourth quarter last year driven by sales gains and an increase in the gross profit rate. The higher gross profit rate is due to changes in product sales blend and lower markdowns and inventory shrinkage due to improved sell-through. These factors were partially offset by a higher blend of Cost-U-Less sales which have a lower gross profit rate consistent with a discount warehouse format.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 9.8% compared to last year primarily due to higher annual incentive plan costs, COVID-19-related expenses and an increase in insurance costs. These factors were partially offset by $0.9 million in support office restructuring and relocation costs last year.

Earnings From Operations ("EBIT") and EBITDA[1] Earnings from operations were $8.5 million compared to $6.9 million in the fourth quarter last year and EBITDA[1] increased to $14.2 million compared to $12.2 million last year due to the sales, gross profit and Expense factors previously noted.

CONSOLIDATED CASH FLOWS FOURTH QUARTER

The following table summarizes the major components of the fourth quarter cash flow:

($ in thousands)	2020	2019	2018
Operating activities	**$106,660**	$ 48,320	$ 55,029
Investing activities	**(11,904)**	(19,218)	(13,337)
Financing activities	**(81,765)**	(53,035)	(58,934)
Effect of foreign exchange	**(1,167)**	125	(256)
Net change in cash	**11,824**	(23,808)	(17,498)
Cash, beginning of period	**59,712**	51,995	55,946
Cash, end of year	**$ 71,536**	$ 28,187	$ 38,448

Cash From Operating Activities

The following table summarizes the major components of the cash flow from operating activities in the fourth quarter:

($ in thousands)	2020	2019	2018
Net earnings for the period	**$ 32,832**	$ 17,263	$ 13,965
Adjustments for:			
Amortization	**22,296**	23,699	21,044
Provision for income taxes	**12,834**	3,839	3,953
Interest expense	**3,448**	5,632	5,328
Equity settled share-based compensation	**1,545**	1,251	1,029
Insurance proceeds, property and equipment	**(5,306)**	(2,276)	—
Taxes paid	**(4,223)**	(5,327)	(8,996)
Loss/(gain) on disposal of property and equipment	**596**	(357)	(395)
Operating activities before change in non-cash working capital and other	**64,022**	43,724	35,928
Change in non-cash working capital	**37,118**	5,379	19,359
Change in other non-cash items	**5,520**	(783)	(258)
Cash from operating activities	**$106,660**	$ 48,320	$ 55,029

Cash from Operating Activities Cash flow from operating activities increased $58.3 million or 120.7% to $106.7 million compared to the fourth quarter of 2019 due to a $20.3 million increase in cash earnings to $64.0 million and the change in non-cash working capital and other non-cash items.

The change in non-cash working capital is primarily due to the change in inventories, accounts receivable and trade accounts payable and accrued liabilities compared to the prior year. The change in other non-cash items is largely due to changes in accrued share-based compensation and defined benefit pension obligation.

Cash Used in Investing Activities

The following table summarizes the major components of the cash flow used in investing activities in the fourth quarter:

($ in thousands)	2020	2019	2018
Purchase of property and equipment	**$ (18,180)**	$ (26,563)	$ (28,903)
Intangible asset additions	**226**	(4,430)	(1,279)
Proceeds from disposal of property and equipment	**744**	661	1,286
Insurance proceeds, property and equipment	**5,306**	11,114	15,559
Cash used in investing activities	**$ (11,904)**	$ (19,218)	$ (13,337)

Cash Used in Investing Activities Net cash used in the fourth quarter for investing activities was $11.9 million compared to $19.2 million in 2019 and $13.3 million in 2018. Net investing activities include insurance proceeds of $5.3 million in 2020 compared to $11.1 million in 2019 and $15.6 million in 2018. Investing activities in the quarter include the completion of a new store in Pelican Narrows, Saskatchewan and investments in property and equipment for stores and staff housing. The decrease in investing activities compared to 2019 is mainly due to the impact of COVID-19 travel restrictions.

Cash Used in Financing Activities

The following table summarizes the major components of the cash flow used in financing activities in the fourth quarter:

($ in thousands)	2020	2019	2018
Net decrease in long-term debt	**$ (49,781)**	$ (22,135)	$ (28,262)
Payment of lease liabilities, principal	**(4,496)**	(6,178)	(5,920)
Payment of lease liabilities, interest	**(1,088)**	(1,396)	(1,438)
Dividends	**(17,528)**	(16,089)	(15,587)
Dividends to non-controlling interests	**(2,214)**	(3,427)	(3,761)
Interest paid	**(644)**	(3,810)	(3,966)
Common shares purchased and cancelled	**(6,014)**	—	—
Cash used in financing activities	**$ (81,765)**	$ (53,035)	$ (58,934)

Cash Used in Financing Activities Cash used in the fourth quarter for financing activities increased to $81.8 million compared to cash used of $53.0 million in 2019 and $58.9 million in 2018. The change compared to the fourth quarter last year is primarily due to a decrease in long-term debt of $49.8 million compared to a decrease of $22.1 million last year. In addition, there was $6.0 million in shares purchased under the normal course issuer bid initiated in the quarter which contributed to the increase in cash used in financing activities. These factors were partially offset by a $3.2 million decrease in interest payments compared to the prior year.

CEO TRANSITION

On April 7, 2021, the Board of Directors announced that Edward Kennedy, President & CEO will be retiring effective August 1, 2021 after 30 years at North West of which 25 years were as President & CEO. Following a robust succession planning process, Dan McConnell will be appointed President & CEO effective August 1, 2021. Mr. McConnell has been with North West for 19 years with a range of senior executive responsibilities, most recently as President, International Retail.

DISCLOSURE CONTROLS

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that decisions can be made regarding public disclosure. Based on an evaluation of the Company's disclosure controls and procedures, as required by National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the Company's CEO and CFO have concluded that these controls and procedures were designed and operated effectively as of January 31, 2021.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 International Financial Reporting Standards. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or the degree of compliance with policies and procedures may deteriorate. Furthermore, management is required to use judgment in evaluating controls and procedures. Based on an evaluation of the Company's internal controls over financial reporting using the Internal Control - Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"), 2013, the Company's CEO and CFO have concluded that the internal controls over financial reporting were designed and operated effectively as at January 31, 2021. There have been no changes in the internal controls over financial reporting for the year ended January 31, 2021 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

The Company's near-term consumer outlook remains highly influenced by the COVID-19 pandemic. While the Company foresees revenue to remain above average through the duration of COVID-19 based on its role as an essential service and an ongoing shift in consumer spending in favour of the Company's product and service offering, there is downside risk to this outlook related to increased outbreaks of COVID-19, the timing of broad vaccine distribution and economic challenges within tourism-dependent countries which do not have strong government income support programs such as the British Virgin Islands and St. Maarten. The Company is monitoring the COVID-19 situation on a daily basis and adjusting people practices as appropriate, as well as product sourcing and distribution requirements. As a relied-upon provider of everyday needs to many remote communities, the Company is committed to ensuring continuity of service throughout this challenging period.

The impact of the Giant Tiger Transaction and transition to reduced COVID-19 risk conditions is expected to result in lower sales compared to last year. On an annualized basis, the Giant Tiger Transaction is expected to result in lower sales, net of wholesale food sales to the sold Giant Tiger stores, of approximately $200.0 million but have a positive impact on earnings from operations of approximately $10.0 million. The timing and size of the sales impact of lower COVID-19 transmission and health risk conditions is much more difficult to estimate. Based on the current vaccine and variant situation, combined with the Company's initiatives to retain market share gains from 2020, it is expected that earnings in 2021 will be meaningfully above pre-pandemic (2019) levels but likely below 2020.

Beyond the duration of COVID-19's material impact, positive and negative, on the Company's business, the medium and longer-term outlook for the Company is favourable based on our lower pricing and cost positions, our emphasis on decentralized execution capability, the resiliency of our everyday essential product and service focus, augmented by opportunistic investments, and customer relationships reinforced during COVID-19. Northern Canada's outlook in particular, is buoyed by different forms of ongoing government income support payments for individuals and investment in Indigenous communities and the northern economy in general. Even with the economic uncertainty in the Caribbean, the Company believes there will be opportunities to grow market share organically and through acquisitions.

In 2020, the Company recorded after-tax insurance related gains of $4.5 million compared to $13.9 million in 2019. The settlement of 2018 fire insurance claims and the receipt of payments are expected to result in further insurance-related earnings gains in 2021 however, the amount and timing of these gains is uncertain. Global insurance market conditions are becoming more challenging as insurance companies are limiting their capacity for underwriting risks in certain geographic areas such as the Caribbean and northern Canada or in sectors such as the aviation industry. These factors are expected to continue to result in higher insurance costs; and, changes in self-insured retention levels may result in greater earnings volatility in the event of future losses. To help mitigate future losses, the Company has completed resiliency upgrades to facilities and enhanced preventative measures in all higher risk areas of its business as well as containing increasing insurance costs through higher self-insured retention levels.

In 2020, the Company recorded a $24.7 million deferred tax liability on earnings in Canadian Operations based on the year-end of the limited partnership. The payment of taxes on these earnings will occur over the next 14 months. In addition, the Company expects that its Canadian monthly income tax installments will increase in 2021 based on its taxable income in 2020. These income tax payments will reduce cash flow from operating activities in 2021.

In 2021, the Company expects that capital expenditures will be in the $75 million range (2020 - $66.9 million), net of expected recoveries on the settlement of fire insurance claims, with upside for further growth investments. On the downside, the timing and amount of store-based capital expenditures will continue to be impacted by COVID-19-related travel restrictions in at least the first half of 2021, in addition to other delays that can occur with remote location capital projects.

RISK MANAGEMENT

The mandate of the Board of Directors includes ensuring that processes are in place to identify and manage the principle risks of the business, including environmental and climate-related risks, for which the Board has delegated primary responsibility to the Audit Committee. The North West Company maintains an Enterprise Risk Management ("ERM") program which assists in identifying, evaluating and managing risks that may reasonably have an impact on the Company. Management is accountable for completing an annual ERM assessment to evaluate risks and the potential impact that the risks may have on the Company's financial performance and ability to execute its strategies and achieve its objectives. The results of this annual assessment and quarterly updates are presented to the Audit Committee and reported to the Board of Directors. The principle risks, including environmental and climate-related risks, and the related mitigation strategies are incorporated into the Company's strategic planning process.

The North West Company is exposed to a number of risks in its business. The descriptions of the risks below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially adversely affected. Readers of this MD&A are also encouraged to refer to the Key Performance Drivers and Capabilities Required to Deliver Results and Outlook sections of this MD&A, as well as North West's Annual Information Form, which provides further information on the risk factors facing the Company. While the Company employs strategies to minimize these risks, these strategies do not guarantee that events or circumstances will not occur that could negatively impact the Company's financial condition and performance.

Careful consideration should be given to the risk factors which include, but are not limited to, the following:

Pandemic A pandemic outbreak of a contagious disease could result in a widespread health crisis that could have an adverse effect on the Company's operations and financial condition. A pandemic could impact the health and wellness of the Company's employees and customers which could negatively impact the Company's ability to operate its business. A pandemic may also result in the temporary closure of the Company's stores, distribution facilities, airline or support offices and could result in interruptions to the Company's supply chain, including reduced availability of product or the temporary closure of suppliers and transportation companies that are critical to the operation of the business. Furthermore, a pandemic could result in an economic downturn, restrictions on travel and trade, disruptions to financial markets and negatively impact the availability and cost of capital, which in turn could have an adverse impact on the Company's financial results and condition.

On March 11, 2020, the World Health Organization declared the rapidly spreading novel coronavirus ("COVID-19") a pandemic. This contagious disease outbreak has resulted in material disruption to businesses globally and significant economic uncertainty. In response, governments worldwide have enacted emergency measures to both combat the spread of the virus and stabilize economic conditions. Most of the Company's products and services are considered to be essential by the applicable government authorities. As such, the Company's focus is on business continuity and safety plans to help mitigate the health impact of COVID-19 on employees and customers. This includes the implementation of physical spacing, including the installation of plexiglass barriers at checkouts, and enhanced sanitation protocols in stores, distribution centers and support offices. The Company is also continuing to work closely with governments, suppliers and communities to help ensure the uninterrupted flow of merchandise and continuous operation of our stores. COVID-19 is a rapidly changing situation and the Company continues to adjust and adapt its operations as required and has increased communications with our customers and community leaders to help understand their expectations and protocols.

The food and everyday products the Company provides are essential, non-discretionary services in the communities we serve. The Company has business continuity plans and safety protocols, including a cross-functional steering committee who are accountable for monitoring the impact of COVID-19 and mitigating the risk posed to employees, customers and the business however, there can be no assurance that these plans and protocols will be sufficient to minimize the impact.

The future impact of COVID-19 is uncertain and the Company is not able to reliably forecast the severity and duration of the impact on the economy, the financial markets, the availability of capital and on the Company's employees, customers, and suppliers, including the possible temporary closure of stores or interruptions to the Company's supply chain. Although the Company foresees continued demand for the products and services it provides based on its role as an essential service, the full impact of COVID-19 is not determinable at this time and there can be no assurance that COVID-19 will not have an adverse impact on the Company's operations and financial condition. Further information on the potential impact of COVID-19 is provided in the Outlook section.

Employee Development and Retention Attracting, retaining and developing high caliber employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography, small size and remoteness of the Company's individual markets, there is an ongoing need for capable staffing, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies and could negatively affect financial performance. The Company's overall priority on building and sustaining store people capability reflects the importance of mitigating this risk. In addition to compensation programs and investments in staff housing that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based manager-in-training programs as part of the Pure Retail initiative as described in the strategy section under Initiative #2.

In addition to employee development and retention risks related to the Company's retail operations, these risks also impact the Company's airline operations. Transport Canada issued new Canadian Airline Regulations ("CAR") with respect to pilot fatigue and flight duty times on December 12, 2018. The implementation of these new regulations are being phased in from December 2020 to December 2022 based on the type of aircraft.

These regulations may result in an increase in the number of pilots required by NSA which may result in higher recruitment and compensation costs and have a negative impact on the Company's financial performance. NSA is continuing to assess the impact of the new regulations on the business. Changes to flight schedules, operating schedules, fatigue management systems and employee recruiting, compensation and training programs are expected to help mitigate the impacts of the new regulations and employee development and retention risk.

Business Model The Company sells a broad range of products and services across geographically and culturally diverse markets. Operational scale can be difficult to achieve and the complexity of the Company's business model is higher compared to more narrowly-focused or larger retailers. Management continuously assesses the strength of its customer value offer to ensure that specific markets, products and services are financially attractive. The Company's Pure Retail initiative is focused on simplifying work across the Company, with a focus on stores. To the extent the Company is not successful in developing and executing its strategies, it could have an adverse effect on the financial condition and performance of the Company.

Competition The Company has a leading market position in a large percentage of the markets it serves. Sustaining and growing this position depends on our ability to continually improve customer satisfaction while identifying and pursuing new sales opportunities. We actively monitor competitive activity and we are proactive in enhancing our value offer elements, ranging from in-stock position to service and pricing. To the extent that the Company is not effective in responding to consumer trends or enhancing its value offer, it could have a negative impact on financial performance. Furthermore, the entry of new competitors, an increase in competition, both local and outside the community, a significant expansion of E-Commerce, or the introduction of new products and services in the Company's markets could also negatively affect the Company's financial performance.

Community Relations A portion of the Company's sales are derived from communities and regions that restrict commercial land ownership and usage by non-indigenous or non-local owned businesses or which have enacted policies and regulations to support locally-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include store lease arrangements with community-based development organizations and initiatives to recruit local residents into management positions and to incorporate community stakeholder advice into our business at all levels. Further information on community relations is provided under Corporate Social Responsibility and Sustainable Development on page 34. To the extent the Company is not successful in maintaining these relations or is unable to renew lease agreements with community-based organizations, or is subject to punitive fees or operating restrictions, it could have an adverse effect on the Company's reputation and financial performance.

Information Technology The Company relies on information technology ("IT") to support the current and future requirements of the business. A significant or prolonged disruption in the Company's current IT systems could negatively impact day-to-day operations of the business which could adversely affect the Company's financial performance and reputation.

The Company is in the process of completing the implementation of new point-of-sale and merchandise management systems which are described further in the strategy section under Initiative #5, Project Enterprise. In 2021, the Company will be implementing the merchandise management system in International Operations as part of Project Enterprise. The failure to successfully upgrade legacy systems, or to migrate from legacy systems to new IT systems, could have an adverse effect on the Company's operations, reputation and financial performance. There is also a risk that the anticipated benefits, cost savings or operating efficiencies related to upgrading or implementing new IT systems may not be realized which could adversely affect the Company's operations, financial performance or reputation. To help mitigate these risks, the Company uses a combination of specialized internal and external IT resources as well as a strong governance structure and disciplined project management.

The Company also depends on accurate and reliable information from its IT systems for decision-making and operating the business. As the volume of data and the complexity and integration of IT systems increases, there is a greater risk of errors in data or misinterpretation of the data which could negatively impact decision making and in turn, have an adverse effect on the Company's financial performance.

Cyber-security The Company relies on the integrity and continuous availability of its IT systems. In the ordinary course of business, the Company collects, processes, transmits and retains confidential and personal information (collectively "Confidential Information") regarding the Company and its customers, employees and suppliers. The Company's IT systems are exposed to the risks of "cyber-attack", including viruses that can disrupt, paralyze or prevent access to IT systems or result in unauthorized access to Confidential Information.

The Company has implemented security software and measures, including monitoring, testing and employee training, to prevent unauthorized access to its IT systems and Confidential Information, and to reduce the likelihood of disruptions. Cyber-attacks are constantly evolving and are becoming more frequent and sophisticated in nature and there is a risk that the Company's security measures may be breached or unauthorized access may not be detected on a timely basis. Furthermore, employee error, faulty password management or malfeasance may result in unauthorized access to IT systems and Confidential Information. Any prolonged failure relating to IT system availability, breaches of IT system security, a significant loss of data, an impairment of data integrity or unauthorized access to Confidential Information, could adversely affect the financial performance, operations and reputation of the Company and may result in regulatory enforcement actions or litigation.

Logistics and Supply Chain The Company relies on a complex and elongated outbound supply chain due to the remoteness of the Company's stores. The delivery of merchandise to a substantial portion of the Company's stores involves multiple carriers and multiple modes of transportation including trucks, trains, aircraft, ships and barges through various ports and transportation hubs. The Company's reputation and financial performance can be negatively impacted by supply chain events or disruptions outside of the Company's control, including changes in foreign and domestic regulations which increase the cost of transportation; the quality of transportation infrastructure such as roads, ports and airports; labour disruptions at transportation companies; the impact of a pandemic, including COVID-19, that reduces or restricts transportation to the communities the Company serves; or the consolidation, financial difficulties or bankruptcy of transportation companies. To help mitigate these risks, the Company owns an airline, North Star Air Ltd., and has an investment in Transport Nanuk Inc., an arctic shipping company, which provides the Company with greater control over key components of our logistics network and service to our stores in northern Canada.

Climate Change, Natural Disasters and Fire The Company's operations are exposed to extreme weather conditions ranging from blizzards to hurricanes, typhoons and cyclones which can cause loss of life, damage to or destruction of key stores and facilities, or temporary business disruptions. The stores located in the South Pacific, Caribbean and coastal areas of Alaska are also at risk of earthquakes and tsunamis which can result in loss of life and destruction of assets. The destruction of assets and the impact on the local economy resulting from these types of extreme weather conditions, particularly where more than one location is impacted, could have a material adverse effect on the operations and financial condition and performance of the Company. Severe weather conditions can also have a negative impact on NSA's operations by disrupting the transportation of merchandise and passengers.

The impact of warmer ocean water temperatures has increased the risk of frequency, severity and duration of hurricanes and typhoons especially in the northeastern Caribbean. Collectively the stores in this region have sales of $349 million and assets of $153 million for the year-ended January 31, 2021. In 2017, islands in this region were devastated by two category five hurricanes which resulted in the destruction of the Company's CUL store in St. Thomas and three RTW stores and significantly damaged a CUL store in St. Maarten. Rebuilding has significantly increased resiliency to future hurricanes, however, certain markets remain exposed to this risk.

The Company completed a specific climate-related risk management assessment of its stores in the northeastern Caribbean and upgraded its most hurricane-vulnerable stores to improve the building construction to a category five hurricane resiliency level. These improvements help mitigate the impact of hurricanes on the Company's stores however, there can be no certainty that the damage from hurricanes will not include significant damage to or loss of stores and warehouses. In addition, hurricanes can result in significant damage to or destruction of important infrastructure, including residences, which in turn may result in people relocating from an island. Any prolonged reduction in population in the communities the Company operates in could have a material impact on the financial performance of the Company.

Longer-term global warming conditions would also have a more pronounced effect, both positive and negative, on the Company's most northern latitude stores. On the downside, global warming will result in rising sea levels, which will cause flooding, and melting permafrost which could damage or destroy the Company's stores, warehouses and housing. The Company operates in 71 communities in northern Canada and 16 communities in Alaska that are potentially exposed to changes in permafrost. Collectively these stores have sales of $779 million and assets of $302 million for the year ended January 31, 2021. Rising sea levels and melting permafrost would also have the same negative impact on our customers which, combined with the potential damage to our facilities, could have a material adverse effect on the Company's operations, financial condition and performance. The Company has in-depth knowledge of and expertise in construction in northern markets and continues to incorporate new engineering and construction techniques in designing buildings and facilities to help mitigate the impact of changing permafrost conditions and minimize damage to the permafrost.

The Company relies upon the availability of winter roads to 40 communities in northern Canada. Global warming conditions may shorten or eliminate the availability of winter roads which would result in higher transportation costs to these remote locations. To the extent that higher transportation costs cannot be offset by other cost reductions or passed on through higher prices, this may result in lower operating margins which may have an adverse effect on the Company's financial performance. This risk related to the availability of winter roads is partially mitigated by the utilization of the Company's wholly-owned airline to transport merchandise to its stores.

On the upside, global warming could result in higher economic growth in the Company's northern markets and would reduce some operating costs such as enabling the Company to use lower-cost sealift year-round to transport merchandise to the Company's stores compared to higher cost air transportation.

The Company's stores in northern Canada and Alaska are exposed to the risk of wild fires and other fire related losses. In many of the Company's remote northern markets, there is limited fire fighting equipment and capability. In the event of a fire, there is a high risk of a complete loss of the building, equipment and inventory. In 2018, the Company had three fires in northern Canada which destroyed one store and significantly damaged two other stores. Two of the fires were caused by electrical malfunction and one was arson-related. The Company was able to re-open the stores with reduced selling square footage and a limited merchandise assortment while reconstruction and repairs were being completed. The Company completed an independent review of its fire mitigation policies and procedures to identify opportunities to improve fire prevention in its northern Canada stores and has upgraded facilities to reduce the risk of fire-related losses.

In addition to the risk mitigation activities previously noted, the Company also maintains insurance to help mitigate the impact of losses however, there can be no assurance that one or more large claims or that any given loss will be mitigated in all circumstances. Further information on insurance risk is provided below.

Economic Environment External factors which affect customer demand and personal disposable income, and over which the Company exercises no influence, include government fiscal health, general economic growth, changes in commodity prices, inflation, unemployment rates, personal debt levels, levels of personal disposable income, interest rates and foreign exchange rates. Changes in inflation rates and foreign exchange rates are unpredictable and may impact the cost of merchandise and the prices charged to consumers which in turn could negatively impact sales and net earnings.

Our largest customer segments derive most of their income directly or indirectly from government infrastructure spending or direct payment to individuals in the form of social assistance, child care benefits and old age security. While these tend to be stable sources of income, independent of economic cycles, a decrease in government income transfer payments to individuals, a recession, or a significant and prolonged decline in consumer spending could have an adverse effect on the Company's operations and financial performance.

Furthermore, customers in many of the Company's markets benefit from product cost subsidies through programs, such as Nutrition North Canada ("NNC"), the U.S. Supplemental Nutrition Assistance Program ("SNAP") and the by-pass mail system in Alaska, which contribute to lower living costs for eligible customers. A change in government policy could result in a reduction in financial support for these programs which would have a significant impact on the price of merchandise and consumer demand and could have an adverse effect on the Company's operations and financial condition.

A major source of employment income in the remote markets where the Company operates is generated from local government and spending on public infrastructure. This includes housing, schools, health care facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year-to-year depending on the degree of infrastructure activity and a community's overall fiscal health. A similar fluctuating source of income is employment related to tourism and natural resource development. A significant or prolonged reduction in government transfers, spending on infrastructure projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items.

Management regularly monitors economic conditions and considers factors which can affect customer demand in making operating decisions and the development of strategic initiatives and long-range plans.

Fuel and Utility Costs Compared to other retailers, the Company is more exposed to fluctuations in the price of energy, particularly oil. Due to the vast geography and remoteness of the store network, expenses related to aviation fuel, diesel-generated electricity and heating fuel costs are a more significant component of the Company's and its customers' expenses. To the extent that escalating fuel and utility costs cannot be offset by alternative energy sources, energy conservation practices or offsetting productivity gains, this may result in higher retail prices or lower operating margins which may affect the Company's financial performance. In this scenario, consumer retail spending could also be negatively affected by higher household energy-related expenses which could have an adverse effect on the Company's financial performance.

Environmental The Company owns a large number of facilities and real estate, particularly in remote locations, and is subject to environmental risks associated with the contamination of such facilities and properties. The Company operates retail fuel outlets in a number of locations and uses fuel to heat stores and housing. The Company also has aviation fuel storage containers and operates aviation fuel dispensing equipment. Contamination resulting from gasoline, heating and aviation fuel is possible. The Company employs operating, training, monitoring and testing procedures to minimize the risk of contamination. The Company also operates refrigeration equipment in its stores and distribution centres which, if the equipment fails, could release gases that may be harmful to the environment. The Company has monitoring and preventative maintenance procedures to reduce the risk of this contamination occurring. Even with these risk mitigation policies and procedures, the Company could incur increased or unexpected costs related to environmental incidents and remediation activities, including litigation and regulatory compliance costs, all of which could have an adverse effect on the reputation and financial performance of the Company.

Laws, Regulations and Standards The Company is subject to various laws, regulations and standards administered by federal, provincial and foreign regulatory authorities, including but not limited to income, commodity and other taxes, securities laws, duties, currency repatriation, health and safety, employment standards and minimum wage laws, Payment Card Industry ("PCI") standards, anti-money laundering ("AML") regulations, licensing requirements, product packaging and labeling regulations and zoning laws. New accounting standards and pronouncements or changes in accounting standards may also impact the Company's financial results.

These laws, regulations and standards and their interpretation by various courts and agencies are subject to change. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws, regulations and standards could result in financial penalties, assessments, sanctions, loss of operating licenses or legal action that could have an adverse effect on the reputation and the financial performance of the Company.

The Company is also subject to various privacy laws and regulations regarding the protection of personal information of its customers and employees. Any failure in the protection of this information or non-compliance with laws or regulations could negatively affect the Company's reputation and financial performance.

A portion of the Company's sales and net earnings are derived from financial services and pharmacy operations, which are subject to laws, regulations and standards. Changes in legislation regarding financial services fees, including but not limited to ATM, pre-paid Visa card and cheque-cashing fees and fees earned on customer accounts receivable, could have an adverse impact on the Company's financial performance if other fees or offsetting cost reductions cannot be implemented. In Canada, on-going prescription drug reform and changes in dispensing fees could have an adverse effect on the Company's financial performance if other fees or offsetting cost reductions cannot be implemented.

The airline industry is also subject to extensive legal, regulatory and administrative controls and oversight, including airline safety standards. Failure by the Company to comply with these laws, regulations and standards could result in the loss of operating licenses and could have an adverse effect on the Company's financial performance and reputation.

Furthermore, changes in legislation, including carbon taxes and the implementation of other greenhouse gas reduction initiatives and regulations related to transitioning to a low-carbon and more climate resilient future, could result in additional costs which could have a negative impact on the Company's financial performance if the Company is not able to fully pass on these additional costs to its customers or identify other offsetting cost reductions and efficiencies.

Income Taxes In the ordinary course of business, the Company is subject to audits by tax authorities. The Company regularly reviews its compliance with tax legislation, filing positions, the adequacy of its tax provisions and the potential for adverse outcomes. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the outcome is determined.

Food, Drug, Product and Service Safety The Company is exposed to risks associated with food and drug safety, product handling and general merchandise product defects. The Company also operates pharmacies and provides tele-pharmacy services and is subject to risks associated with errors made through medication dispensing or patient services and consultation. Food sales represent approximately 75% of total Company sales. A significant outbreak of a food-borne illness or increased public concerns with certain food products could have an adverse effect on the reputation and financial performance of the Company and could lead to unforeseen liabilities from legal claims. The Company has food preparation, handling, dispensing and storage procedures which help mitigate these risks.

The Company also has product recall procedures in place in the event of a food-borne illness outbreak or product defect. The existence of these procedures does not eliminate the underlying risks and the ability of these procedures to mitigate risk in the event of a food-borne illness or product recall is dependent on their successful execution.

Social Social and political issues raise public awareness, perspectives and actions through protests and/or media campaigns. Issues that may relate to the Company’s business include, but are not limited to food security, minimum wages, Indigenous rights, diversity and inclusion, local and ethical sourcing, nutritional labelling and the environment. Ineffective action or inaction on these matters could adversely affect the Company’s reputation or financial performance.

Insurance The Company manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Company's insurance program is based on various lines and limits of coverage and is arranged with financially stable insurance companies as rated by professional rating agencies. Global insurance market conditions are more challenging as insurance companies limit their capacity for underwriting risks in certain geographic areas such as the Caribbean and northern Canada or in sectors such as aviation. Insurance companies that do provide coverage in these areas are requiring significantly higher insurance premiums and higher self-insured retention levels from companies. These factors are expected to continue to result in higher insurance costs; and, changes in self-insured retention levels may result in greater earnings volatility in the event of future losses. There can be no assurance that the Company's insurance program will be sufficient to cover one or more large claims, or that any given risk will be mitigated in all circumstances. There can also be no assurance that the Company will be able to continue to purchase insurance coverage at reasonable rates or maintain its self-insured retention levels. To the extent that the Company's insurance policies do not provide sufficient coverage for a loss, it could have an adverse impact on the Company's operating results and financial condition.

Vendor and Third Party Service Partner Management The Company relies on a broad base of manufacturers, suppliers and operators of distribution facilities to provide goods and services. Events, such as a pandemic, or disruptions affecting these suppliers outside of the Company's control could in turn result in delays in the delivery of merchandise to the stores and therefore negatively impact the Company's reputation and financial performance. A portion of the merchandise the Company sells is purchased offshore. Offshore sourcing could provide products that contain harmful or banned substances or do not meet the required standards. The Company uses offshore consolidators and sourcing agents to monitor product quality and reduce the risk of sub-standard products however, there is no certainty that these risks can be completely mitigated in all circumstances.

NSA also relies upon suppliers and third party service partners for specialized aviation parts and aircraft maintenance services. A prolonged disruption affecting the supply of parts or provision of maintenance services could negatively impact the availability of aircraft to service the Company's customers, or result in higher than anticipated costs, which could have an adverse effect on the Company's financial performance and reputation.

Litigation and Casualty Losses In the normal course of business, the Company is subject to a number of claims and legal actions that may be made by its customers, suppliers and others. The Company records a provision for litigation claims if management believes the Company has liability for such claim or legal action. If management's assessment of liability or the amount of any such claim is incorrect, or the Company is unsuccessful in defending its position, any difference between the final judgment amount and the provision would become an expense or a recovery in the period such claim was resolved.

Consistent with risks inherent in the aviation industry, NSA could be subject to large liability claims arising out of major accidents or disasters involving aircraft which can result in serious injury, death or destruction of property. Accidents and disasters may occur from factors outside of the Company's control such as severe weather, lightning strikes, wind shear and bird strikes. Any such accident or disaster could have a material adverse effect on the Company's reputation, results from operations and financial condition.

Post-Employment Benefits The Company engages professional investment advisors to manage the assets in the defined benefit pension plans. The performance of the Company's pension plans and the plan funding requirements are impacted by the returns on plan assets, changes in the discount rate and regulatory funding requirements. If capital market returns are below the level estimated by management or if the discount rate used to value the liabilities of the plans decreases, the Company may be required to make contributions to its defined benefit pension plans in excess of those currently contemplated, which may have an adverse effect on the Company's financial performance.

The Company regularly monitors and assesses the performance of the pension plan assets and the impact of changes in capital markets, changes in plan member demographics, and other economic factors that may impact funding requirements, benefit plan expenses and actuarial assumptions. The Company makes cash contributions to the pension plan as required and also uses letters of credit to satisfy a portion of its funding obligations. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan and added a defined contribution plan. Under the amended pension plan, all members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. Further information on post-employment benefits is provided on page 35 and in Note 13 to the consolidated financial statements.

Management of Inventory Success in the retail industry depends on being able to select the right merchandise, in the correct quantities in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess inventory for some products and missed sales opportunities for others which could have an adverse effect on operations and financial performance. Excess inventory may also result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial performance of the Company.

Dependence on Key Facilities There are five major distribution centres which are located in Winnipeg, Manitoba; Anchorage, Alaska; San Leandro, California; Port of Tacoma, Washington; and a third party managed facility in Fort Lauderdale, Florida. In addition, the Company's Canadian Operations support office is located in Winnipeg, Manitoba, NSA's support office is located in Thunder Bay, Ontario and the International Operations has support offices in Anchorage, Alaska and Boca Raton, Florida. A significant or prolonged disruption at any of these facilities due to fire, inclement weather or otherwise could have a material adverse effect on the financial performance of the Company.

Geopolitical Changes in the domestic or international political environment may impact the Company's ability to source and provide products and services. Acts of terrorism, riots, and political instability, especially in less developed markets, could have an adverse effect on the financial performance of the Company.

Ethical Business Conduct The Company has a Code of Business Conduct and Ethics policy which governs both employees and Directors. The Company also has a Whistleblower Policy that provides direct access to members of the Board of Directors. Unethical business conduct could negatively impact the Company's reputation and relationship with its customers, investors and employees, which in turn could have an adverse effect on the financial performance of the Company.

Financial Risks In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company manages financial risk with oversight provided by the Board of Directors, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes. These risks and the actions taken to minimize the risks are described below. Further information on the Company's financial instruments and associated risks are provided in Note 15 to the consolidated financial statements.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not have any individual customer accounts greater than 10% of total accounts receivable.

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements, pension plan contributions and planned sustaining and growth-related capital expenditures, and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2021, the Company had undrawn committed revolving loan facilities available of $400.3 million (January 31, 2020 - $189.8 million).

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in International Operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging the net investment in foreign operations with a portion of U.S. dollar denominated borrowings as described in the Sources of Liquidity section. At January 31, 2021, the Company had US$140.8 million in U.S. denominated debt compared to US$99.7 million at January 31, 2020 and US$97.9 million at January 31, 2019. Further information on the impact of foreign exchange rates on the translation of U.S. denominated debt is provided in the Capital Structure section.

The Company is also exposed to currency risk relating to the translation of International Operations earnings to Canadian dollars. In 2020, the average exchange rate used to translate U.S. denominated earnings from the International Operations was 1.3390 compared to 1.3246 last year. The Canadian dollar's depreciation in 2020 compared to the U.S. dollar in 2019 positively impacted consolidated net earnings by $0.5 million. In 2019, the average exchange rate was 1.3246 compared to 1.3041 in 2018 which resulted in an increase in 2019 consolidated net earnings of $0.7 million compared to 2018.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk though a combination of fixed and floating interest rate debt and may use interest rate swaps. Further information on long-term debt is provided in Note 12 to the consolidated financial statements. As at January 31, 2021, the Company had no outstanding interest rate swaps.

CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT

The North West Company opened its first store in 1668 as a trading post in the Cree Nation of Waskaganish in northern Canada and many of our stores in northern Canada and Alaska have been in operation for over 200 years. Our continuing presence in the communities we serve is based on sustainable practices that reflect our adaptability and respect for the social license and underlying trust we must earn.

The Company's social responsibility and sustainability objectives are framed under the following four pillars:

- Stronger Communities;
- Better Quality of Life for our Customers;
- Empowered Employees; and
- Respect for the Environment.

A brief description of each pillar is as follows:

Stronger Communities We are committed to provide significant, meaningful social benefit to the diverse communities we serve. We believe that building strong, healthy and inclusive relationships through listening and collaboration is an approach that adds value for both the community and the Company in areas such as employment, capital investment and sponsorship.

Better Quality of Life for our Customers We are committed to provide reliable access to everyday products and services that meet the lifestyle needs of our customers and that are as affordable as possible. In addition, we advocate for inclusive policies and programs that improve the quality of life for the people and communities we serve. This goes to the heart of community and cultural sustainability and to our role in providing socio-economic benefits in the communities we serve.

Empowered Employees We are committed to enhance employee satisfaction and effectiveness through our Company values of customer service, trust, enterprising ideas, passion for what we do, accountability and personal balance. We strive to provide our diverse and talented employees with the best job experiences and opportunities, beginning with key roles in our stores.

Respect for the Environment We are committed to minimize our environmental footprint in a way that accommodates the conflicting realities of remote, costly-to-serve geographies populated by lower-income communities. We look for innovation across our business from efficient building design to eco-friendly energy alternatives and limiting product packaging and waste.

The Board of Directors are accountable for overseeing the Company's Corporate Social Responsibility and Sustainable Development initiatives which are integrated within the Company's risk management and strategic planning process. In addition to the information provided on climate change and environmental risk factors previously noted under Risk Management, further information on the Sustainability Report is available on the Company's website at *www.northwest.ca*.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Judgment has been used in the application of accounting policy and to determine if a transaction should be recognized or disclosed in the consolidated financial statements while estimates and assumptions have been used to measure balances recognized or disclosed. These estimates, assumptions and judgments are based on management's historical experience, knowledge of current events, expectations of future outcomes and other factors that management considers reasonable under the circumstances. Certain of these estimates and assumptions require subjective or complex judgments by management about matters that are uncertain and changes in these estimates could materially impact the consolidated financial statements and disclosures. Management regularly evaluates the estimates and assumptions it uses and revisions are recognized in the period in which the estimates are reviewed and in any future periods affected. The areas that management believes involve a higher degree of judgment or complexity, or areas where the estimates and assumptions may have the most significant impact on the amounts recognized in the consolidated financial statements include the following:

Valuation of Accounts Receivable The Company records an allowance for doubtful accounts related to trade accounts receivable that may potentially be impaired. The Company recognizes loss allowances for expected credit losses ("ECL's") on accounts receivable. The change in ECL's is recognized in net earnings and reflected as an allowance against accounts receivable. The Company uses historical trends, timing of recoveries and management's judgment as to whether current economic and credit conditions are such that actual losses are likely to differ from historical trends. A significant change in one or more of these factors could impact the estimated allowances for doubtful accounts recorded in the consolidated balance sheets and the provisions for debt loss recorded in the consolidated statement of earnings. Additional information on the valuation of accounts receivable is provided in Note 5 and the Credit Risk section in Note 15 to the consolidated financial statements.

Valuation of Inventories Inventories are stated at the lower of cost and net realizable value. Significant estimation is required in: (1) the determination of margin factors used to convert inventory to cost; (2) recognizing merchandise for which the customer's perception of value has declined and appropriately marking the retail value of the merchandise down to the perceived value; and (3) estimating inventory losses, or shrinkage, occurring between the last physical count and the balance sheet date.

Inventory shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory count to the balance sheet date. The estimate is based on historical experience and the most recent physical inventory results. To the extent that actual losses experienced vary from those estimated, both inventories and cost of sales may be impacted.

Changes or differences in these estimates may result in changes to inventories on the consolidated balance sheets and a charge or credit to cost of sales in the consolidated statements of earnings. Additional information regarding inventories is provided in Note 6 to the consolidated financial statements.

Post-Employment Benefits The defined benefit plan obligations are accrued based on actuarial valuations which are dependent on assumptions determined by management. These assumptions include the discount rate used to calculate benefit plan obligations, the rate of compensation increase, retirement ages and mortality rates. These assumptions are reviewed by management and the Company's actuaries.

The discount rate used to calculate benefit plan obligations and the rate of compensation increase are the most significant assumptions. The discount rate used to calculate benefit plan obligations and plan asset returns is based on market interest rates, as at the Company's measurement date of January 31, 2021 on a portfolio of Corporate AA bonds with terms to maturity that, on average, matches the terms of the defined benefit plan obligations. The discount rate used to measure the benefit plan obligations for fiscal 2020 was 2.72% compared to 2.75% in 2019 and 3.75% in 2018. Management assumed a rate of compensation increase of 4.0% for fiscal 2018, 2019 and 2020.

These assumptions may change in the future and may result in material changes in the defined benefit plan obligation on the Company's consolidated balance sheets, the defined benefit plan expense on the consolidated statements of earnings and the net actuarial gains or losses recognized in comprehensive income and retained earnings. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. Additional information regarding the Company's post-employment benefits, including the sensitivity of a 100 basis point change in the discount rate, is provided in Note 13 to the consolidated financial statements.

Amortization of Long-lived Assets and Right-of-Use Assets The Company makes estimates about the expected useful lives of long-lived assets, including right-of-use assets and aircraft, the expected residual values of the assets and the most appropriate method to reflect the realization of the assets future economic benefit. This includes using judgment to determine which asset components constitute a significant cost in relation to the total cost of an asset. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes in expected useful lives or residual values, changes to maintenance programs and changes in utilization of the aircraft. Estimates and assumptions are evaluated at least annually and any adjustments are accounted for as a change in estimate, on a prospective basis, through amortization expense in the Company's consolidated statements of earnings.

Business Combinations The Company accounts for business combinations using the acquisition method of accounting which requires the acquired assets and assumed liabilities to be recorded at their estimated fair values. Judgment is required to determine the fair value of the assets and liabilities with the most significant judgment and assumptions required to determine the estimated fair values of intangible assets, particularly trade names.

The Company uses the royalty relief method to determine the fair value of the trade name intangible assets. This technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates and anticipated average income tax rates.

Impairment of Long-lived Assets The Company assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. Judgment is used to determine if a triggering event has occurred requiring an impairment test to be completed. If there is an indication of impairment, the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. For tangible and intangible assets excluding goodwill, judgment is required to determine the CGU based on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. To the extent that the carrying value exceeds the estimated recoverable amount, an impairment charge is recognized in the consolidated statements of earnings in the period in which it occurs.

Various assumptions and estimates are used to determine the recoverable amount of a CGU. The Company determines fair value less costs of disposal using estimates such as market rental rates for comparable properties, property appraisals and capitalization rates. The Company determines value in use based on estimates and assumptions regarding future financial performance. The underlying estimates for cash flows include estimates for future sales, gross margin rates and store expenses, and are based upon the stores' past and expected future performance. Changes which may impact future cash flows include, but are not limited to, competition, general economic conditions and increases in operating costs that cannot be offset by other productivity improvements. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheets and consolidated statements of earnings.

Goodwill Goodwill is not amortized but is subject to an impairment test annually or whenever indicators of impairment are detected. Judgment is required to determine the appropriate grouping of CGUs for the purpose of testing for impairment. Judgment is also required in evaluating indicators of impairment which would require an impairment test to be completed. Goodwill is allocated to CGUs that are expected to benefit from the synergies of the related business combination and represents the lowest level within the Company at which goodwill is monitored for internal management purposes, which is both the Company's Canadian Operations and International Operations segments before aggregation.

The value of the goodwill was tested by means of comparing the recoverable amount of the operating segment to its carrying value. The recoverable amount is the greater of its value in use or its fair value less costs of disposal. The operating segment's recoverable amount was based on fair value less costs of disposal. A range of fair values was estimated by inferring enterprise values from the product of financial performance and comparable trading multiples. Values assigned to the key assumptions represent management's best estimates and have been based on data from both external and internal sources. Key assumptions used in the estimation of enterprise value include: budgeted financial performance, selection of market trading multiples and costs to sell. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheets and consolidated statements of earnings.

The Company performed the annual goodwill impairment test in 2020 and determined that the recoverable amount exceeded its carrying value. No goodwill impairment was identified and management considers any reasonably foreseeable changes in key assumptions unlikely to produce a goodwill impairment.

Income and Other Taxes Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to use judgment regarding the interpretation and application of tax legislation in the various jurisdictions in which the Company operates. The calculation of deferred income tax assets and liabilities is also impacted by estimates of future financial results, expectations regarding the timing of reversal of temporary differences, and assessing the possible outcome of audits of tax filings by the regulatory agencies.

Changes or differences in these estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statements of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 10 to the consolidated financial statements.

Leases The values of right-of-use assets and lease liabilities are measured based on whether renewal options are reasonably certain of being exercised and an estimate of the incremental borrowing rate specific to each leased asset if the interest rate in the lease is not readily determined. The incremental borrowing rate for the Canadian and International Operations is determined based on the applicable corporate bond yield curve with an adjustment that reflects the security.

Promissory Note Receivable This financial asset includes management's estimate of the fair value of contingent consideration receivable for the sale of its Giant Tiger stores. Additional information on the promissory note receivable is included in Notes 15 and 24 to the consolidated financial statements.

COVID-19 The COVID-19 pandemic has resulted in material disruption to business globally and significant economic uncertainty. In response, governments worldwide have enacted emergency measures to both combat the spread of the virus and stabilize economic conditions. The COVID-19 economic environment in which we operate is uncertain and subject to volatility. The Company is unable to reliably forecast the severity and duration of the impact of COVID-19 on the economy, the Company's customers, suppliers and employees, and consequently, its impact on the future financial results and condition of the Company, including its estimates, assumptions and judgments.

FUTURE ACCOUNTING STANDARDS

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

NON-GAAP FINANCIAL MEASURES

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to the other financial measures determined in accordance with IFRS.

(1) Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA), Adjusted EBITDA and Adjusted Net Earnings are not recognized measures under IFRS. Management uses these non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under IFRS. The excluded amounts are either subject to volatility in the Company's share price or may not necessarily be reflective of the Company's underlying operating performance. These factors can make comparisons of the Company's 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.

Reconciliation of consolidated net earnings to EBITDA and adjusted EBITDA

	Fourth Quarter		Year-to-Date	
($ in thousands)	**2020**	2019	**2020**	2019
Net earnings	**$ 32,832**	$ 17,263	**$ 143,560**	$ 86,273
Add:				
Amortization	**22,296**	23,699	**92,078**	89,222
Interest expense	**3,448**	5,632	**16,808**	20,948
Income taxes	**12,834**	3,839	**48,981**	23,132
EBITDA	**$ 71,410**	$ 50,433	**$ 301,427**	$ 219,575
Gain on partial insurance settlement	**(5,306)**	(3,205)	**(5,306)**	(18,170)
Share-based compensation expense	**2,871**	190	**22,495**	3,550
Gain on disposition of Giant Tiger stores	**—**	—	**(24,712)**	—
Giant Tiger asset impairment and store closure provision	**—**	—	**9,411**	—
Adjusted EBITDA	**$ 68,975**	$ 47,418	**$ 303,315**	$ 204,955

For EBITDA information by business segment, see Note 4 to the consolidated financial statements.

Reconciliation of consolidated net earnings to adjusted net earnings:

	Fourth Quarter		Year-to-Date	
($ in thousands)	**2020**	2019	**2020**	2019
Net earnings	**$ 32,832**	$ 17,263	**$ 143,560**	$ 86,273
Gain on partial insurance settlement, net of tax	**(4,460)**	(2,340)	**(4,460)**	(13,887)
Share-based compensation expense, net of tax	**2,106**	305	**18,855**	2,991
Gain on disposition of Giant Tiger stores, net of tax	**—**	—	**(19,991)**	—
Giant Tiger asset impairment and store closure provision, net of tax	**—**	—	**6,874**	—
Adjusted Net Earnings	**$ 30,478**	$ 15,228	**$ 144,838**	$ 75,377

The Company recorded gains on fire, hurricane and aircraft insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value and also for the recovery of business interruption losses on hurricane claims.

Certain share-based compensation costs are presented as liabilities on the Company's consolidated balance sheets. The Company is exposed to market price fluctuations in its share price through these share-based compensation costs. These liabilities are recorded at fair value at each reporting date based on the market price of the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses. Further information on share-based compensation is provided in Note 14 and Note 18 to the consolidated financial statements.

Further information on the gain on the disposition of Giant Tiger stores and the Giant Tiger asset impairment and store closure expense is provided in the Canadian Operations section and in Note 24 to the consolidated financial statements.

(2) Return on Net Assets (RONA) is not a recognized measure under IFRS. Management believes that RONA is a useful measure to evaluate the financial return on the net assets used in the business. RONA is calculated as earnings from operations (EBIT) for the year divided by average monthly net assets. The following table reconciles net assets used in the RONA calculation to IFRS measures reported in the consolidated financial statements as at January 31 for the following fiscal years:

($ in millions)	2020	2019
Total assets	$ 1,191.2	$ 1,215.5
Less: Total liabilities	(685.9)	(788.6)
Add: Total long-term debt and lease liabilities	402.0	550.1
Net Assets Employed	$ 907.3	$ 977.0

(3) Return on Average Equity (ROE) is not a recognized measure under IFRS. Management believes that ROE is a useful measure to evaluate the financial return on the amount invested by shareholders. ROE is calculated by dividing net earnings for the year by average monthly total shareholders' equity. There is no directly comparable IFRS measure for return on equity.

GLOSSARY OF TERMS

AC Alaska Commercial Company store banner.

Basic earnings per share Net earnings attributable to shareholders of The North West Company Inc. divided by the weighted-average number of shares outstanding during the period.

Basis point A unit of measure that is equal to 1/100th of one percent.

Book value per share Equity attributable to shareholders of The North West Company Inc. divided by the number of shares, basic or diluted, outstanding at the end of the year.

CGAAP (Canadian generally accepted accounting principles) The consolidated financial statements for the fiscal years 2009 and prior were prepared in accordance with Canadian generally accepted accounting principles as issued by the Canadian Institute of Chartered Accountants.

Compound Annual Growth Rate ("CAGR") The compound annual growth rate is the year-over-year percentage growth rate over a given period of time.

Conversion to a Share Corporation On January 1, 2011, the North West Company Fund (the "Fund") completed a conversion to a corporation named The North West Company Inc. (the "Company") by way of a plan of arrangement under section 192 of the Canada Business Corporations Act. The details of the conversion and the Arrangement are contained in the management information circular dated April 29, 2010 which is available on the Company's website at *www.northwest.ca* or on SEDAR at *www.sedar.com*.

The MD&A contains references to "shareholders", "shares" and "dividends" which were previously referred to as "unitholders", "units" and "distributions" under the Fund.

CUL Cost-U-Less store banner.

Debt covenants Restrictions written into banking facilities, senior notes and loan agreements that prohibit the Company from taking actions that may negatively impact the interests of the lenders.

Debt loss An expense resulting from the estimated loss on potentially uncollectible accounts receivable.

Debt-to-equity ratio Provides information on the proportion of debt and equity the Company is using to finance its operations and is calculated as total debt divided by shareholders' equity.

Diluted earnings per share The amount of net earnings for the period attributable to shareholders of The North West Company Inc. divided by the weighted-average number of shares outstanding during the period including the impact of all potential dilutive outstanding shares at the end of the period.

EBIT (Earnings From Operations) Net earnings before interest and income taxes provides an indication of the Company's performance prior to interest expense and income taxes.

EBIT margin EBIT divided by sales.

EBITDA Net earnings before interest, income taxes, depreciation and amortization provides an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. See Non-GAAP Financial Measures section.

EBITDA margin EBITDA divided by sales.

Fair value The amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Gross profit Sales less cost of goods sold and inventory shrinkage.

Gross profit rate Gross profit divided by sales.

GT Giant Tiger store banner.

Hedge A risk management technique used to manage interest rate, foreign currency exchange or other exposures arising from business transactions.

Interest coverage Net earnings before interest and income taxes divided by interest expense.

IFRS (International Financial Reporting Standards) Effective for the 2011 fiscal year, the consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative financial information for the year ended January 31, 2011 ("2010") previously reported in the consolidated financial statements prepared in accordance with CGAAP has been restated in accordance with the accounting policies and financial statement presentation adopted under IFRS. Further information on the transition to IFRS and the impact on the Company's consolidated financial statements is provided in the 2011 Annual Financial Report available on SEDAR at *www.sedar.com* or on the Company's website at *www.northwest.ca*.

NSA North Star Air Ltd., a regional airline providing cargo and passenger services.

Return on Average Equity ("ROE") Net earnings divided by average shareholders' equity. See Non-GAAP Financial Measures section.

Return on Net Assets ("RONA") Net earnings before interest and income taxes divided by average net assets employed (total assets less accounts payable and accrued liabilities, income taxes payable, defined benefit plan obligations, deferred tax liabilities, and other long-term liabilities). See Non-GAAP Financial Measures section.

RTW Roadtown Wholesale Trading Ltd. collectively consisting of the Riteway Food Markets banner, a Cash and Carry store and a significant wholesale operation.

Same store sales Retail food and general merchandise sales from stores that have been open more than 52 weeks in the periods being compared, excluding the impact of foreign exchange. Total same store sales consists of retail food and general merchandise sales and excludes other sales.

Working capital Total current assets less total current liabilities.

Year The fiscal year ends on January 31. Each fiscal year has 365 days of operations with the exception of a "leap year" which has 366 days of operations as a result of February 29. The following table summarizes the fiscal year:

Fiscal Year	Year-ended	Fiscal Year	Year-ended
2020	January 31, 2021	2014	January 31, 2015
2019	January 31, 2020	2013	January 31, 2014
2018	January 31, 2019	2012	January 31, 2013
2017	January 31, 2018	2011	January 31, 2012
2016	January 31, 2017	2010	January 31, 2011
2015	January 31, 2016	2009	January 31, 2010

Eleven-Year Financial Summary

Fiscal Year ($ in thousands)	**2020**	2019	2018[1]	2017[1]	2016
Consolidated Statements of Earnings					
Sales - Canadian Operations	**$1,376,188**	$ 1,271,552	$ 1,246,133	$1,199,473	$1,125,330
Sales - International Operations	**983,051**	822,841	767,353	785,649	718,763
Sales - Total	**2,359,239**	2,094,393	2,013,486	1,985,122	1,844,093
EBITDA[2] - Canadian Operations	**206,498**	140,359	130,399	112,393	109,736
EBITDA[2] - International Operations	**94,929**	79,216	87,623	57,231	56,762
EBITDA[2] - Total Operations	**301,427**	219,575	218,022	169,624	166,498
Amortization - Canadian Operations	**62,357**	62,983	57,577	39,796	35,291
Amortization - International Operations	**29,721**	26,239	24,444	15,857	13,076
Amortization - Total	**92,078**	89,222	82,021	55,653	48,367
Interest	**16,808**	20,948	19,640	10,145	7,220
Income taxes	**48,981**	23,132	25,738	34,135	33,835
Net earnings attributable to shareholders of the Company	**139,874**	82,724	86,739	67,154	77,076
Cash flow from operating activities	**338,718**	161,117	155,725	141,419	126,024
Dividends/distributions paid during the year	**67,276**	64,351	62,329	62,315	60,169
Capital and intangible asset expenditures	**75,244**	121,605	103,219	122,035	77,745
Net change in cash	**43,349**	(10,261)	13,288	(5,083)	(7,000)
Consolidated Balance Sheets					
Current assets	**$ 396,860**	$ 399,593	$ 376,297	$ 335,003	$ 327,938
Property and equipment	**531,794**	555,075	514,946	469,993	358,121
Right-of-use assets	**107,766**	127,870	127,794	—	—
Promissory note receivable	**49,020**	—	—	—	—
Other assets, intangible assets and goodwill	**98,440**	104,765	96,119	91,502	86,909
Deferred tax assets	**7,288**	28,233	34,705	34,450	32,853
Current liabilities	**315,135**	194,084	196,938	171,212	152,244
Long-term debt and other liabilities	**370,802**	594,482	541,907	377,580	285,792
Total Equity	**505,231**	426,970	411,016	382,156	367,785
Consolidated Dollar Per Share/Unit ($)[4]					
Net earnings - basic	**$ 2.87**	$ 1.70	$ 1.78	$ 1.38	$ 1.59
Net earnings - diluted	**2.82**	1.68	1.77	1.36	1.57
EBITDA[2],[3]	**6.18**	4.50	4.47	3.48	3.43
Cash flow from operating activities[3]	**6.95**	3.30	3.19	2.91	2.60
Dividends/distributions paid during the year[3]	**1.38**	1.32	1.28	1.28	1.24
Equity (basic shares/units outstanding end of year)	**10.39**	8.76	8.43	7.60	7.57
Market price at January 31	**32.37**	27.56	31.17	29.14	29.28
Statistics at Year End[4]					
Number of stores - Canadian	**159**	198	193	188	185
Number of stores - International	**53**	51	52	51	47
Selling square feet (000's) end of year - Canadian Stores	**986**	1,617	1,571	1,552	1,518
Selling square feet (000's) end of year - International Stores	**667**	662	669	668	676
Sales per average selling square foot - Canadian	**$ 1,057**	$ 798	$ 798	$ 781	$ 755
Sales per average selling square foot - International	**$ 1,479**	$ 1,236	$ 1,148	$ 1,169	$ 1,063
Number of employees - Canadian Operations	**4,735**	5,587	5,672	5,915	5,715
Number of employees - International Operations	**2,204**	2,046	2,253	2,119	1,882
Average shares/units outstanding (000's)	**48,758**	48,751	48,697	48,680	48,524
Shares/Units outstanding at end of fiscal year (000's)	**48,613**	48,751	48,751	48,690	48,542
Shares/Units traded during the year (000's)	**60,827**	45,013	46,269	38,836	49,189
Financial Ratios					
EBITDA[2] (%)	**12.8**	10.5	10.8	8.5	9.0
Earnings from operations (EBIT) (%)	**8.9**	6.2	6.8	5.7	6.4
Total return on net assets[2] (%)	**22.4**	13.5	15.3	16.7	20.1
Return on average equity[2] (%)	**30.7**	20.5	23.2	18.3	21.8
Debt-to-equity	**.56:1**	.96:1	.89:1	.82:1	.62:1
Dividends/distributions as % of cash flow from operating activities	**19.9**	39.9	40.0	44.1	47.7
Inventory turnover (times per year)	**7.1**	5.8	6.0	6.0	6.1

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in Accounting Standard Changes Implemented in 2019 as disclosed in the 2019 Annual Report. Amounts prior to 2018 have not been restated for IFRS 16. Certain 2017 amounts have been restated upon the adoption of IFRS 15. Amounts prior to 2017 have not been restated for IFRS 15.

(2) See Non-GAAP Financial Measures on page 37.

2015	2014	2013	2012	2011	2010	Fiscal Year ($ in thousands)
						Consolidated Statements of Earnings
$1,089,898	$1,042,168	$1,022,985	$1,043,050	$1,028,396	$ 978,662	Sales - Canadian Operations
706,137	582,232	520,140	470,596	466,740	469,442	Sales - International Operations
1,796,035	1,624,400	1,543,125	1,513,646	1,495,136	1,448,104	Sales - Total
98,276	100,896	111,225	106,510	97,998	98,781	EBITDA(2) - Canadian Operations
53,071	36,942	27,111	27,207	27,883	26,983	EBITDA(2) - International Operations
151,347	137,838	138,336	133,717	125,881	125,764	EBITDA(2) - Total Operations
31,781	30,302	29,258	29,155	28,745	27,511	Amortization - Canadian Operations
12,245	10,070	9,018	7,994	7,827	7,981	Amortization - International Operations
44,026	40,372	38,276	37,149	36,572	35,492	Amortization - Total
6,210	6,673	7,784	6,979	6,026	6,077	Interest
31,332	27,910	28,013	25,701	25,322	14,539	Income taxes
69,779	62,883	64,263	63,888	57,961	69,656	Net earnings attributable to shareholders of the Company
132,987	115,086	79,473	128,992	115,469	114,564	Cash flow from operating activities
58,210	56,180	54,229	50,320	50,797	68,700	Dividends/distributions paid during the year
75,983	52,329	43,207	51,133	46,376	37,814	Capital and intangible asset expenditures
8,114	6,776	(16,322)	11,691	(4,247)	3,953	Net change in cash
						Consolidated Balance Sheets
$ 335,581	$ 315,840	$ 299,071	$ 303,896	$ 295,836	$ 284,789	Current assets
345,881	311,692	286,875	274,027	270,370	259,583	Property and equipment
—	—	—	—	—	—	Right-of-use assets
—	—	—	—	—	—	Promissory note receivable
83,293	68,693	64,969	60,567	53,289	55,199	Other assets, intangible assets and goodwill
29,040	28,074	19,597	12,904	7,422	17,017	Deferred tax assets
155,501	146,275	209,738	190,184	128,002	185,377	Current liabilities
280,682	248,741	138,334	164,960	215,206	144,736	Long-term debt and other liabilities
357,612	329,283	322,440	296,250	283,709	286,475	Total equity
						Consolidated Dollar Per Share/Unit ($)(4)
$ 1.44	$ 1.30	$ 1.33	$ 1.32	$ 1.20	$ 1.45	Net earnings - basic
1.43	1.29	1.32	1.32	1.19	1.44	Net earnings - diluted
3.12	2.85	2.86	2.76	2.60	2.61	EBITDA(2),(3)
2.74	2.38	1.64	2.67	2.39	2.38	Cash flow from operating activities(3)
1.20	1.16	1.12	1.04	1.05	1.42	Dividends/distributions paid during the year(3)
7.37	6.80	6.66	6.12	5.86	5.92	Equity (basic shares/units outstanding at end of year)
30.53	26.56	25.42	23.14	19.40	21.09	Market price at January 31
						Statistics at Year End(4)
181	178	178	177	183	184	Number of stores - Canadian
47	47	48	46	46	46	Number of stores - International
1,463	1,422	1,386	1,375	1,466	1,445	Selling square feet (000's) end of year - Canadian Stores
676	676	696	660	655	654	Selling square feet (000's) end of year - International Stores
$ 756	$ 742	$ 741	$ 734	$ 702	$ 682	Sales per average selling square foot - Canadian
$ 1,045	$ 849	$ 767	$ 716	$ 713	$ 718	Sales per average selling square foot - International
5,482	4,921	4,839	4,768	5,233	5,301	Number of employees - Canadian Operations
1,896	1,726	1,853	1,568	1,668	1,601	Number of employees - International Operations
48,509	48,432	48,413	48,384	48,378	48,180	Average shares/units outstanding (000's)
48,523	48,497	48,426	48,389	48,378	48,378	Shares/Units outstanding at end of fiscal year (000's)
35,631	24,080	17,623	17,831	22,418	24,814	Shares/Units traded during the year (000's)
						Financial Ratios
8.4	8.5	9.0	8.8	8.4	8.7	EBITDA(2) (%)
6.0	6.0	6.5	6.4	6.0	6.2	Earnings from operations (EBIT) (%)
19.5	18.4	20.0	20.6	18.5	17.9	Total return on net assets(2) (%)
20.6	19.3	21.0	22.1	20.1	24.1	Return on average equity(2) (%)
.63:1	.61:1	.57:1	.55:1	.62:1	.67:1	Debt-to-equity
43.8	48.8	68.2	39.0	44.0	60.0	Dividends/distributions as % of cash flow from operating activities
6.2	5.7	5.6	5.8	5.7	5.6	Inventory turnover (times per year)

(3) Based on average basic shares/units outstanding.

(4) Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The comparative information refers to units of the Fund.

Management's Responsibility for Financial Statements

The management of The North West Company Inc. is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements and all other information in the annual report. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain amounts that are based on the best estimates and judgment by management.

In order to meet its responsibility and ensure integrity of financial information, management has established a code of business ethics, and maintains appropriate internal controls and accounting systems. An internal audit function is maintained that is designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and recorded and that the financial records are reliable.

Ultimate responsibility for financial reporting to shareholders rests with the Board of Directors. The Audit Committee of the Board of Directors, consisting of independent Directors, meets periodically with management and with the internal and external auditors to review the audit results, internal controls and the selection and consistent application of appropriate accounting policies. Internal and external auditors have unlimited access to the Audit Committee. The Audit Committee meets separately with management and the external auditors to review the consolidated financial statements and other contents of the annual report and recommend approval by the Board of Directors. The Audit Committee also recommends the independent auditor for appointment by the shareholders.

PricewaterhouseCoopers LLP, an independent firm of auditors appointed by the shareholders, have completed their audit and submitted their report as follows.

Edward S. Kennedy
PRESIDENT & CEO
THE NORTH WEST COMPANY INC.

John D. King, CPA, CA, CMA
EXECUTIVE VICE-PRESIDENT &
CHIEF FINANCIAL OFFICER
THE NORTH WEST COMPANY INC.

April 7, 2021

Independent auditor's report

To the Shareholders of The North West Company Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The North West Company Inc. and its subsidiaries (together, the Company) as at January 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at January 31, 2021 and 2020;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Inventories *Refer to note 3 - Significant accounting policies and note 6 - Inventories to the consolidated financial statements.* As at January 31, 2021, the Company held inventories of $227 million at warehouses and stores. Inventories are valued at the lower of cost and net realizable value. The cost of warehouse inventories is determined using the weighted-average cost method. The cost of retail inventories is determined using the retail method of accounting for general merchandise inventories and the weighted-average cost method for food inventories. Net realizable value is estimated based on the amount at which inventories are expected to be sold, taking into consideration decreases in retail prices due to obsolescence, damage or seasonality. Valuing inventories requires management to use judgment and estimates related to the determination of margin factors used to convert inventory to cost and future retail sales prices and reductions, inventory losses or shrinkage during periods between the last physical inventory count and the balance sheet date. We considered this a key audit matter due to the magnitude of the inventories balance, the judgment by management in determining the value of inventories, and the audit effort involved in testing the inventories balance at year-end.	Our approach to addressing the matter included the following procedures, among others: ● Tested the operating effectiveness of relevant controls relating to the inventory valuation process, including management's estimate of the inventory provision. ● Tested the operating effectiveness of relevant controls relating to the physical inventory count process and observed the physical inventory count process for a sample of stores and warehouses during the year and performed independent test counts. ● For a sample of inventory items at year-end, tested the underlying data to purchase invoices. ● For a sample of general merchandise inventory items valued using the retail method of accounting at year-end, tested the underlying data to most recent retail selling prices. ● For a sample of general merchandise inventory items valued using the retail method of accounting at year-end, tested the underlying data used by management and evaluated the reasonableness of the margin factors applied to convert inventories to cost. ● Tested that inventories at year-end were recorded at the lower of cost and net realizable value by comparing a sample of inventory items to the most recent retail selling prices of the inventory items. ● Tested that inventories at year-end were recorded in the correct period by comparing a sample of inventory purchases before and after year-end to receiving documents and purchase invoices.

Key audit matter	How our audit addressed the key audit matter
	• Tested how management estimated the inventory provision at year-end; evaluated the appropriateness of management's inventory provisioning method; tested the underlying data; and evaluated the reasonableness of the assumptions used by management by assessing the percentage of shrinkage based on actual results from the physical inventory counts performed during the year and historical percentage of shrinkage.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Patrick Green.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
April 7, 2021

Consolidated Balance Sheets

($ in thousands)	January 31, 2021	January 31, 2020
CURRENT ASSETS		
Cash	**$ 71,536**	$ 28,187
Accounts receivable (Note 5)	**91,443**	104,869
Inventories (Note 6)	**226,962**	248,040
Prepaid expenses	**6,919**	12,375
Income tax receivable (Note 10)	**—**	6,122
	396,860	399,593
NON-CURRENT ASSETS		
Property & Equipment (Note 7)	**531,794**	555,075
Right-of-use assets (Note 8)	**107,766**	127,870
Promissory note receivable (Note 24)	**49,020**	—
Goodwill (Note 9)	**48,263**	49,569
Intangible assets (Note 9)	**36,151**	41,608
Deferred tax asset (Note 10)	**7,288**	28,233
Other assets (Note 11)	**14,026**	13,588
	794,308	815,943
TOTAL ASSETS	**$ 1,191,168**	$ 1,215,536
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 205,202**	$ 173,058
Current portion of long-term debt (Note 12)	**90,456**	1,850
Current portion of lease liabilities (Note 8)	**16,393**	19,176
Income tax payable (Note 10)	**3,084**	—
	315,135	194,084
NON-CURRENT LIABILITIES		
Long-term debt (Note 12)	**190,966**	409,115
Lease liabilities (Note 8)	**104,226**	119,928
Defined benefit plan obligation (Note 13)	**38,446**	40,138
Deferred tax liability (Note 10)	**12,488**	8,750
Other long-term liabilities	**24,676**	16,551
	370,802	594,482
TOTAL LIABILITIES	**685,937**	788,566
SHAREHOLDERS' EQUITY		
Share capital (Note 16)	**174,213**	173,681
Contributed surplus	**13,394**	8,650
Retained earnings	**282,088**	211,252
Accumulated other comprehensive income	**21,605**	20,315
Equity attributable to The North West Company Inc.	**491,300**	413,898
Non-controlling interests	**13,931**	13,072
TOTAL EQUITY	**505,231**	426,970
TOTAL LIABILITIES & EQUITY	**$ 1,191,168**	$ 1,215,536

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors

"Annalisa King"

DIRECTOR

"H. Sanford Riley"

DIRECTOR

Consolidated Statements of Earnings

($ in thousands, except per share amounts)	**Year Ended January 31, 2021**	Year Ended January 31, 2020
SALES	**$ 2,359,239**	$ 2,094,393
Cost of sales	**(1,584,686)**	(1,429,995)
Gross profit	**774,553**	664,398
Selling, operating and administrative expenses (Notes 17, 18)	**(565,204)**	(534,045)
Earnings from operations	**209,349**	130,353
Interest expense (Note 19)	**(16,808)**	(20,948)
Earnings before income taxes	**192,541**	109,405
Income taxes (Note 10)	**(48,981)**	(23,132)
NET EARNINGS FOR THE YEAR	**$ 143,560**	$ 86,273
NET EARNINGS ATTRIBUTABLE TO		
The North West Company Inc.	**$ 139,874**	$ 82,724
Non-controlling interests	**3,686**	3,549
TOTAL NET EARNINGS	**$ 143,560**	$ 86,273
NET EARNINGS PER SHARE (Note 21)		
Basic	**$ 2.87**	$ 1.70
Diluted	**$ 2.82**	$ 1.68
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)		
Basic	**48,758**	48,751
Diluted	**49,526**	49,375

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

($ in thousands)	Year Ended January 31, 2021	Year Ended January 31, 2020
NET EARNINGS FOR THE YEAR	**$ 143,560**	$ 86,273
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified to net earnings:		
Exchange differences on translation of foreign controlled subsidiaries	**677**	828
Items that will not be subsequently reclassified to net earnings:		
Remeasurements of defined benefit plans (Note 13)	**3,747**	(8,456)
Remeasurements of defined benefit plans of equity investee	**(143)**	(33)
Total other comprehensive income/(loss), net of tax	**4,281**	(7,661)
COMPREHENSIVE INCOME FOR THE YEAR	**$ 147,841**	$ 78,612
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO		
The North West Company Inc.	**$ 4,894**	$ (8,041)
Non-controlling interests	**(613)**	380
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	**$ 4,281**	$ (7,661)
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
The North West Company Inc.	**$ 144,768**	$ 74,683
Non-controlling interests	**3,073**	3,929
TOTAL COMPREHENSIVE INCOME	**$ 147,841**	$ 78,612

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

($ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total	Non-Controlling Interests	Total Equity
Balance at January 31, 2020	$ 173,681	$ 8,650	$ 211,252	$ 20,315	$ 413,898	$ 13,072	$ 426,970
Net earnings for the year	—	—	139,874	—	139,874	3,686	143,560
Other comprehensive income/(loss)	—	—	3,747	1,290	5,037	(613)	4,424
Other comprehensive loss of equity investee	—	—	(143)	—	(143)	—	(143)
Comprehensive income	—	—	143,478	1,290	144,768	3,073	147,841
Purchased and cancelled (Note 16)	(648)	—	(5,366)	—	(6,014)	—	(6,014)
Equity settled share-based payments (Note 14)	—	5,015	—	—	5,015	—	5,015
Issuance of common shares (Note 16)	1,180	(271)	—	—	909	—	909
Dividends (Note 20)	—	—	(67,276)	—	(67,276)	(2,214)	(69,490)
	532	4,744	(72,642)	—	(67,366)	(2,214)	(69,580)
Balance at January 31, 2021	**$174,213**	**$ 13,394**	**$ 282,088**	**$21,605**	**$491,300**	**$ 13,931**	**$505,231**
Balance at January 31, 2019	$ 173,681	$ 3,530	$ 201,368	$ 19,867	$ 398,446	$ 12,570	$ 411,016
Net earnings for the year	—	—	82,724	—	82,724	3,549	86,273
Other comprehensive income/loss	—	—	(8,456)	448	(8,008)	380	(7,628)
Other comprehensive loss of equity investee	—	—	(33)	—	(33)	—	(33)
Comprehensive income	—	—	74,235	448	74,683	3,929	78,612
Equity settled share-based payments (Note 14)	—	5,120	—	—	5,120	—	5,120
Dividends (Note 20)	—	—	(64,351)	—	(64,351)	(3,427)	(67,778)
Issuance of common shares (Note 16)	—	—	—	—	—	—	—
	—	5,120	(64,351)	—	(59,231)	(3,427)	(62,658)
Balance at January 31, 2020	$ 173,681	$ 8,650	$ 211,252	$ 20,315	$ 413,898	$ 13,072	$ 426,970

(1) Accumulated Other Comprehensive Income

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

($ in thousands)	**Year Ended January 31, 2021**	Year Ended January 31, 2020
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings for the year	**$ 143,560**	$ 86,273
Adjustments for:		
Amortization (Notes 7, 8, 9)	**92,078**	89,222
Provision for income taxes (Note 10)	**48,981**	23,132
Interest expense (Note 19)	**16,808**	20,948
Equity settled share-based compensation (Note 14)	**5,015**	5,120
Insurance proceeds, property and equipment (Note 17)	**(5,306)**	(7,790)
Taxes paid	**(14,892)**	(19,916)
Loss on disposal of property and equipment	**709**	32
Gain on disposition of Giant Tiger stores (Note 24)	**(24,712)**	—
Giant Tiger asset impairment and store closure provision (Note 24)	**9,411**	—
	271,652	197,021
Change in non-cash working capital	**58,975**	(28,670)
Change in other non-cash items	**8,091**	(7,234)
Cash from operating activities	**338,718**	161,117
Investing activities		
Purchase of property and equipment (Note 7)	**(70,886)**	(111,305)
Intangible asset additions (Note 9)	**(4,358)**	(10,300)
Proceeds from disposal of property and equipment	**3,038**	705
Insurance proceeds, property and equipment	**5,306**	16,628
Cash used in investing activities	**(66,900)**	(104,272)
Financing activities		
Net increase/(decrease) in long-term debt (Note 12)	**(214,853)**	43,018
Debt issuance (Note 12)	**94,808**	—
Payment of lease liabilities, principal	**(19,073)**	(21,834)
Payment of lease liabilities, interest	**(5,065)**	(5,560)
Dividends (Note 20)	**(67,276)**	(64,351)
Dividends to non-controlling interests (Note 20)	**(2,214)**	(3,427)
Interest paid	**(8,282)**	(15,082)
Issuance of common shares (Note 16)	**909**	—
Common shares purchased and cancelled (Note 16)	**(6,014)**	—
Cash used in financing activities	**(227,060)**	(67,236)
Effect of changes in foreign exchange rates on cash	**(1,409)**	130
NET CHANGE IN CASH	**43,349**	(10,261)
Cash, beginning of year	**28,187**	38,448
CASH, END OF YEAR	**$ 71,536**	$ 28,187

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
JANUARY 31, 2021 AND 2020

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 to rural and remote communities in the following regions: northern Canada, rural Alaska, the South Pacific and the Caribbean. These regions comprise two reportable operating segments: Canadian Operations and International Operations.

On July 5, 2020, the Company sold 36 of its 46 Giant Tiger ("GT") stores to Giant Tiger Stores Limited ("GTSL") and recorded a non-interest bearing promissory note receivable. See Note 24.

The address of its registered office is 77 Main Street, Winnipeg, Manitoba. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on April 7, 2021.

2. BASIS OF PREPARATION

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

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

- Liabilities for share-based payment plans (Note 14)
- Defined benefit pension plan (Note 13)
- Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to these consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied to all years presented in these consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

(A) Basis of Consolidation Subsidiaries are entities controlled, either directly or indirectly, by the Company. Control is established when the Company has rights to an entity's variable returns, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases. The Company assesses control on an ongoing basis.

Net Earnings or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance on consolidation.

A joint arrangement can take the form of a joint operation or a joint venture. Joint ventures are those entities over which the Company has joint control of the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Company's 50% interest in Transport Nanuk Inc. has been classified as a joint venture. Its results are included in the consolidated statements of earnings using the equity method of accounting. The consolidated financial statements include the Company's share of both earnings and other comprehensive income from the date that significant influence or joint control commences until the date that it ceases. Joint ventures are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Company's share of net assets of the entity, less any impairment in value.

All significant inter-company amounts and transactions have been eliminated.

(B) Business Combinations Business combinations are accounted for using the acquisition method of accounting. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange. Acquisition costs incurred are expensed and included in selling, operating and administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in either net earnings or as a change to other comprehensive income ("OCI"). If the contingent consideration is classified as equity, it will not be remeasured and settlement is accounted for within equity.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. The excess of the cost of the acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of earnings.

Non-controlling interests are measured either at fair value or their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

(C) Revenue Recognition Revenue on the sale of goods and services is recorded at the time the sale is made or service is rendered to the customer. Sales are presented net of tax, returns and discounts and are measured at the fair value of the consideration received or receivable from the customer for the products sold or services supplied. Service charges on customer account receivables are accrued each month on balances outstanding at each account's billing date.

(D) Inventories Inventories are valued at the lower of cost and net realizable value. The cost of warehouse inventories is determined using the weighted-average cost method. The cost of retail inventories is determined using the retail method of accounting for general merchandise inventories and the weighted-average cost method for food inventories. Cost includes the cost to purchase goods net of vendor rebates plus other costs incurred in bringing inventories to their present location and condition. Net realizable value is estimated based on the amount at which inventories are expected to be sold, taking into consideration decreases in retail prices due to obsolescence, damage or seasonality.

Inventories are written down to net realizable value if net realizable value declines below carrying amount. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed.

(E) Vendor Rebates Consideration received from vendors related to the purchase of merchandise is recorded on an accrual basis as a reduction in the cost of the vendor's products and reflected as a reduction of cost of sales and related inventory when it is probable they will be received and the amount can be reliably estimated.

(F) Property and Equipment Property and equipment are stated at cost less accumulated amortization and any impairment losses. Cost includes any directly attributable costs, borrowing costs on qualifying construction projects, and the costs of dismantling and removing the items and restoring the site on which they are located. When major components of an item of property and equipment have different useful lives, they are accounted for as separate items. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Assets under construction and land are not amortized. Amortization is calculated from the dates assets are available for use using the straight-line method to allocate the cost of assets less their residual values over their estimated useful lives.

Estimated useful lives of Property and Equipment are as follows:

Buildings	3% – 8%
Leasehold improvements	3% – 20%
Aircraft	3.3% – 20%
Fixtures and equipment	8% – 20%
Computer equipment	12% – 33%

Major aircraft maintenance overhaul expenditures, including labour, are capitalized and depreciated over the expected life of the maintenance cycle. Any remaining carrying value, if any, is derecognized when the major maintenance overhaul occurs. All other costs associated with maintenance of aircraft fleet assets are charged to the statement of earnings as incurred.

(G) Impairment of Non-financial Assets Tangible assets and definite life intangible assets are reviewed at each balance sheet date to determine whether events or conditions indicate that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For tangible and intangible assets excluding goodwill, the CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. CGU's may comprise individual stores or groups of stores.

Goodwill and indefinite life intangible assets are not amortized but are subject to an impairment test annually and whenever indicators of impairment are detected. Goodwill is allocated to CGUs that are expected to benefit from the synergies of the related business combination and represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

Any impairment charge is recognized in the consolidated statement of earnings in the period in which it occurs, to the extent that the carrying value exceeds its recoverable amount. Where an impairment loss other than an impairment loss on goodwill subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. Impairment charges on goodwill are not reversed.

All impairment losses are recognized in the consolidated statement of earnings. An impairment loss, except an impairment loss related to goodwill, is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(H) Leases At contract inception, the Company assesses whether a contract is, or contains a lease and recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or restore the underlying asset, less any lease incentives received.

Subsequent to initial measurement, the Company applies the cost model. Right-of-use assets are subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of their useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined based on the shorter of the lease term and the useful life of the underlying asset. Right-of-use assets may also be reduced by impairment losses and adjusted for remeasurements of the lease liability, as applicable.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date using the interest rate implicit in the lease or the Company's incremental borrowing rate. Lease payments are comprised of fixed payments including in-substance fixed payments, variable lease payments based on an index or rate, amounts expected to be payable under residual value guarantees and the exercise price under a purchase option that the Company is reasonably certain to exercise and certain early termination costs. The period over which the lease payments are discounted is the reasonably certain lease term, which may include lease renewal options. Generally, the Company uses its incremental borrowing rate as the discount rate.

Each lease payment is apportioned between the repayment of the lease liability and a finance cost. The finance cost is recognized in interest expense in the consolidated statements of earnings using the effective interest rate method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in lease term, a change in the assessment of an option to purchase the right-of-use asset or a change in an expected residual value guarantee.

The Company has elected not to recognize right-of-use assets and lease liabilities for certain short-term leases that have a lease term of 12 months or less and leases of low-value assets. Variable lease payments that do not depend on an index or rate are also expensed as incurred. The Company recognizes these lease payments as an expense in the consolidated statements of earnings.

(I) Borrowing Costs Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of the respective asset until it is ready for its intended use. Qualifying assets are those assets that necessarily take a substantial period of time to prepare for their intended use. Borrowing costs are capitalized based on the Company's weighted-average cost of borrowing. All other borrowing costs are expensed as incurred.

(J) Goodwill Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. Goodwill is not amortized but is subject to an impairment test annually and whenever indicators of impairment are detected. Goodwill is carried at cost less accumulated impairment losses.

(K) Intangible Assets Intangible assets with finite lives are carried at cost less accumulated amortization and any impairment loss. Amortization is recorded on a straight-line basis over the term of the estimated useful life of the asset as follows:

Software	3 – 7 years
Non-compete agreements	3 – 5 years
Other	5 – 10 years

Intangible assets with indefinite lives comprise the Cost-U-Less and Riteway Food Markets banners. These assets are not amortized but instead tested for impairment annually or more frequently if indicators of impairment are identified.

(L) Share-based Payment Transactions

Equity settled plans Certain stock options and certain performance share units settled in common shares are equity settled share-based payment plans. The grant date fair values of these benefits are recognized as an employee expense over the vesting period, with corresponding increases in equity.

The fair value of these plans is determined using an option pricing model. Market conditions attached to certain equity-settled share-based payments are taken into account when estimating the fair value of the equity instruments granted. Upon exercise or settlement of equity-based instruments, consideration received, if any, together with amounts previously recorded in contributed surplus are recorded as an increase to share capital.

Cash settled plans Certain stock options, certain Performance Share Units, the Executive Deferred Share Unit Plan and the Director Deferred Share Unit Plan are cash settled share-based payments. These plans are measured at fair value at each balance sheet date and a charge or recovery is recognized through the consolidated statement of earnings over the vesting period. A corresponding adjustment is reflected in accounts payable and accrued liabilities or other long-term liabilities.

Estimates related to vesting conditions are reviewed regularly and the value of the charges under both cash settled and equity settled plans are adjusted in the consolidated statement of earnings to reflect expected and actual levels of benefits vesting.

(M) Foreign Currency Translation The accounts of foreign operations have been translated into the presentation currency, Canadian dollars. Assets and liabilities are translated at the period-end exchange rate, and revenues and expenses at the average rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in foreign operations and the portion of the U.S. denominated borrowings designated as a hedge against this investment are recorded in equity as other comprehensive income. Foreign exchange gains or losses recorded in accumulated other comprehensive income (AOCI) are recognized in net earnings when there is a reduction in the net investment in foreign operations.

Items included in the consolidated financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (functional currency). Transactions in foreign currencies are translated to the respective functional currencies at exchange rates approximating the rates in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date.

(N) Income Taxes Income tax expense includes taxes payable on current earnings and changes in deferred tax balances. Current income tax expense is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

The Company accounts for deferred income taxes using the liability method of tax allocation. Under the liability method, deferred income tax assets and liabilities are determined based on the temporary differences between the financial statement carrying values and tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be realized or settled. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects to settle the carrying amount of its assets and liabilities. A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset the amounts.

Income tax expense is recognized in the consolidated statement of earnings, except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case the related income tax expense is also recognized in other comprehensive income or in equity respectively.

(O) Employee Benefits The Company maintains either a defined benefit or defined contribution pension plan for the majority of its Canadian employees, and an employee savings plan for its U.S. employees. Other benefits include employee bonuses, employee share purchase plans and termination benefits.

Defined Benefit Pension Plan The actuarial determination of the defined benefit obligations for pension benefits uses the projected unit credit method prorated on services which incorporates management's best estimate of the discount rate, salary escalation, retirement rates, termination rates and retirement ages of employees. The discount rate used to value the defined benefit obligation is derived from a portfolio of high quality Corporate AA bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations. Bonds included in the curve are denominated in the currency in which the benefits will be paid that have terms to maturity approximating the terms of the related pension liability.

The amount recognized in the consolidated balance sheets at each reporting date represents the present value of the defined benefit obligation, and is reduced by the fair value of plan assets. Any recognized asset or surplus is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded. The Company's funding policy is in compliance with statutory regulations and amounts funded are deductible for income tax purposes.

The actuarially determined expense for current service is recognized annually in the consolidated statement of earnings. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in interest expense.

All actuarial remeasurements arising from defined benefit plans are recognized in full in the period in which they arise in the consolidated statements of comprehensive income, and are immediately recognized in retained earnings. The effect of the asset ceiling is also recognized in other comprehensive income.

Defined Contribution Pension Plans The Company sponsors defined contribution pension plans for eligible employees where fixed contributions are paid into a registered plan. There is no obligation for the Company to pay any additional amount into these plans. Contributions to the defined contribution pension plans are expensed as incurred.

Short-term Benefits An undiscounted liability is recognized for the amount expected to be paid under short-term incentive plans or employee share purchase plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination Benefits Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If the effect is significant, benefits are discounted to present value.

(P) Provisions A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(Q) Financial Instruments

Recognition and derecognition The Company initially recognizes financial instruments on the trade date at which it becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. For financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are included in the initial fair value.

Financial assets are derecognized when the contractual rights to receive cash flows and benefits related from the financial asset expire, or the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheets when the Company has a legal right to offset the amounts and intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets On initial recognition, all financial assets are classified to be subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit and loss. The Company's financial assets comprised of cash, accounts receivable, promissory note receivable and other financial assets are classified as amortized cost. Interest revenue, consisting primarily of service charge income on customer accounts receivable and interest imputed on promissory note receivable are included in sales in the consolidated statements of earnings. The Company has no significant assets measured at fair value.

The Company recognizes loss allowances for expected credit losses ("ECL's") on accounts receivable and the promissory note receivable. The change in ECL's is recognized in net earnings and reflected as an allowance against accounts receivable. The Company uses historical trends, timing of recoveries and management's judgment as to whether current economic and credit conditions are such that actual losses are likely to differ from historical trends.

Financial liabilities On initial recognition, financial liabilities are classified to be subsequently measured at amortized cost or fair value. The Company's financial liabilities comprised of long-term debt, accounts payable, accrued liabilities, lease liabilities and certain other liabilities are classified as amortized cost. Interest expense is recorded using the effective interest rate method and included in the consolidated statements of earnings as interest expense. The Company has no significant liabilities measured at fair value.

Hedging The Company is exposed to financial risks associated with movements in foreign exchange rates. The Company uses a net investment hedge to counterbalance gains and losses arising on the retranslation of foreign operations with gains and losses on a financial liability. The Company has designated certain U.S. denominated debt as a hedge of its net investment in International Operations.

To the extent that the hedging relationship is effective, the foreign exchange gains and losses arising from translation of this debt are included in other comprehensive income and presented within shareholders' equity as accumulated other comprehensive income. These gains and losses are subsequently recognized in earnings when the hedged item affects earnings.

To qualify for hedge accounting, the Company documents its risk management strategy, the relationship between the hedging instrument and the hedged item and the nature of the risks being hedged. The Company also documents the assessment of the effectiveness of the hedging relationship to show that the hedge has been and will likely be highly effective on an ongoing basis.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in accumulated other comprehensive income is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is transferred to the consolidated statements of earnings for the period.

(R) Cash Cash comprises cash on hand and balances with banks.

(S) Net Earnings Per Share Basic net earnings per share are calculated by dividing the net earnings attributable to shareholders of The North West Company Inc. by the weighted-average number of common shares outstanding during the period. Diluted net earnings per share is determined by adjusting these net earnings and the weighted-average number of common shares outstanding for the effects of all potentially dilutive shares, which comprise potential shares issued under the Share Option Plan, Performance Share Unit Plan and Director Deferred Share Unit Plan.

(T) Dividends Dividends declared and payable to the Company's shareholders are recognized as a liability in the consolidated balance sheets in the period in which distributions are declared.

(U) Use of Estimates, Assumptions & Judgment The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies, the reported amounts of revenues and expenses during the reporting period and disclosure of contingent assets and liabilities in the consolidated financial statements and notes. Judgment has been used in the application of accounting policy and to determine if a transaction should be recognized or disclosed in these consolidated financial statements while estimates and assumptions have been used to measure balances recognized or disclosed.

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

The areas that management believes involve a higher degree of judgment or complexity, or areas where the estimates and assumptions may have the most significant impact on the amounts recognized in the consolidated financial statements include the following:

- Allowance for doubtful accounts is estimated based on an expected credit loss impairment model based on historical trends, timing of recoveries and management's judgment as to whether current economic and credit conditions are such that actual losses are likely to differ from historical trends (Notes 5, 15)
- Inventories are remeasured based on the lower of cost and net realizable value (Note 6)
- Amortization methods for property and equipment, including aircraft and right-of-use assets, are based on management's estimate of the most appropriate method to reflect the pattern of an asset's future economic benefit. This includes judgment of what asset components constitute a significant cost in relation to the total cost of an asset (Notes 7, 8)
- Impairment of long-lived assets is influenced by judgment in determining indicators of impairment and estimates used to measure impairment losses, if any (Note 7)
- Recognition of identifiable assets and liabilities acquired in a business combination requires judgment as to their fair value
- Goodwill and indefinite life intangible asset impairment is dependent on judgment used to identify indicators of impairment and estimates used to measure impairment losses, if any (Note 9)
- Income taxes have judgment applied to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions (Note 10)

- Defined benefit pension plan obligation and expense depends on assumptions used in the actuarial valuation (Note 13)
- Leases require assumptions and estimates in order to determine the value of the right-of-use assets and lease liabilities, the implicit and incremental borrowing rates, as applicable, and whether renewal options are reasonably certain of being exercised (Note 8)
- Promissory note receivable includes management's estimate of the fair value of contingent consideration receivable for the sale of its Giant Tiger stores (Note 24)
- The COVID-19 pandemic has resulted in material disruption to business globally and significant economic uncertainty. In response, governments worldwide have enacted emergency measures to both combat the spread of the virus and stabilize economic conditions. The COVID-19 economic environment in which we operate is uncertain and subject to volatility. The Company is unable to reliably forecast the severity and duration of the impact of COVID-19 on the economy, the Company's customers, suppliers and employees, and consequently, its impact on the future financial results and condition of the Company, including its estimates, assumptions and judgments.

(V) Share capital Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. Share repurchases are deducted from share capital at their historical average cost and the excess between the repurchase price and historical average cost charged to retained earnings.

(W) Government Grants The Company recognizes government grants for expenses incurred in the consolidated statements of earnings on a systematic basis in the periods in which the associated expenses are recognized, provided the Company will comply with the grant conditions and there is reasonable assurance they will be received.

(X) Future Standards and Amendments There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. SEGMENTED INFORMATION

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

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

Year Ended	**January 31, 2021**	January 31, 2020
Sales		
Canada		
Food	**$ 935,725**	$ 842,916
General merchandise and other	**440,463**	428,636
Canada	**$ 1,376,188**	$ 1,271,552
International		
Food	**$ 866,045**	$ 731,756
General merchandise and other	**117,006**	91,085
International	**$ 983,051**	$ 822,841
Consolidated	**$ 2,359,239**	$ 2,094,393
Earnings before amortization, interest and income taxes		
Canada	**$ 206,498**	$ 140,359
International	**94,929**	79,216
Consolidated	**$ 301,427**	$ 219,575
Earnings from operations		
Canada	**$ 144,141**	$ 77,376
International	**65,208**	52,977
Consolidated	**$ 209,349**	$ 130,353

Supplemental Information

	January 31, 2021	**January 31, 2020**
Assets		
Canada(1)	**$ 754,162**	$ 787,392
International(1)	**437,006**	428,144
Consolidated	**$ 1,191,168**	$ 1,215,536

Year Ended	**January 31, 2021**		January 31, 2020	
	Canada	**Int'l**	Canada	Int'l
Purchase of property and equipment	**$ 61,331**	**$ 9,555**	$ 67,828	$ 43,477
Amortization	**$ 62,357**	**$29,721**	$ 62,983	$ 26,239

(1) Canadian total assets includes goodwill of $11,025 (January 31, 2020 – $11,025). International total assets includes goodwill of $37,238 (January 31, 2020 – $38,544).

5. ACCOUNTS RECEIVABLE

	January 31, 2021	January 31, 2020
Trade accounts receivable	**$ 82,213**	$ 81,925
Corporate and other accounts receivable	**20,360**	34,782
Less: allowance for doubtful accounts	**(11,130)**	(11,838)
	$ 91,443	$ 104,869

The carrying values of accounts receivable are a reasonable approximation of their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Credit risk for trade accounts receivable is discussed in Note 15. Corporate and other accounts receivable have a lower risk profile relative to trade accounts receivable because they are largely due from government or corporate entities.

Movements in the allowance for doubtful accounts for customer and commercial accounts receivables are as follows:

	January 31, 2021	January 31, 2020
Balance, beginning of year	**$ (11,838)**	$ (17,961)
Net charge	**(8,398)**	(7,189)
Written off	**9,106**	13,312
Balance, end of year	**$ (11,130)**	$ (11,838)

6. INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Valuing inventories requires the Company to use estimates related to: the determination of margin factors used to convert inventory to cost; future retail sales prices and reductions, inventory losses or shrinkage during periods between the last physical count and the balance sheet date; and vendor rebates based on the volume of purchases during a period of time, product remaining in closing inventory and the probability that funds will be collected from vendors. Included in cost of sales for the year ended January 31, 2021, the Company recorded $1,645 (January 31, 2020 – $1,036) for the write-down of inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the year ended January 31, 2021 or 2020.

7. PROPERTY & EQUIPMENT

January 31, 2021	Land	Buildings	Leasehold improvements	Fixtures & equipment	Aircraft	Computer equipment	Construction in process	Total
Cost								
Balance, beginning of year	$ 18,869	$ 570,726	$ 83,817	$ 366,311	$ 81,119	$ 76,299	$ 35,125	$1,232,266
Additions	337	35,705	3,467	17,131	23,754	4,609	(14,117)	70,886
Disposals	—	(87)	(3,897)	(5,091)	(2,068)	(2,313)	—	(13,456)
GT store disposition (Note 24)	—	—	(23,181)	(26,168)	—	—	—	(49,349)
Effect of movements in foreign exchange	(359)	(6,414)	(763)	(4,010)	—	(1,187)	(62)	(12,795)
Total January 31, 2021	$ 18,847	$ 599,930	$ 59,443	$ 348,173	$ 102,805	$ 77,408	$ 20,946	$1,227,552
Accumulated amortization								
Balance, beginning of year	$ —	$ 304,270	$ 47,279	$ 254,930	$ 16,038	$ 54,674	$ —	$ 677,191
Amortization expense	—	24,230	4,053	19,358	10,654	4,063	—	62,358
Disposals	—	(31)	(1,756)	(2,208)	(475)	(2,285)	—	(6,755)
GT store disposition (Note 24)	—	—	(15,338)	(16,088)	—	—	—	(31,426)
Effect of movements in foreign exchange	—	(2,853)	(302)	(3,161)	—	(670)	—	(6,986)
Impairment losses	—	—	320	969	—	—	87	1,376
Total January 31, 2021	$ —	$ 325,616	$ 34,256	$ 253,800	$ 26,217	$ 55,782	$ 87	$ 695,758
Net book value January 31, 2021	$ 18,847	$ 274,314	$ 25,187	$ 94,373	$ 76,588	$ 21,626	$ 20,859	$ 531,794

January 31, 2020	Land	Buildings	Leasehold improvements	Fixtures & equipment	Aircraft	Computer equipment	Construction in process	Total
Cost								
Balance, beginning of year	$ 18,092	$ 520,117	$ 76,922	$ 346,644	$ 84,574	$ 77,860	$ 31,696	$1,155,905
Additions	712	49,691	10,812	27,183	7,378	12,195	3,334	111,305
Disposals	—	(33)	(4,054)	(8,019)	(10,833)	(13,924)	—	(36,863)
Effect of movements in foreign exchange	65	951	137	503	—	168	95	1,919
Total January 31, 2020	$ 18,869	$ 570,726	$ 83,817	$ 366,311	$ 81,119	$ 76,299	$ 35,125	$1,232,266
Accumulated amortization								
Balance, beginning of year	$ —	$ 281,115	$ 46,064	$ 242,273	$ 9,397	$ 62,110	$ —	$ 640,959
Amortization expense	—	22,684	4,694	19,303	9,565	6,353	—	62,599
Disposals	—	(16)	(3,578)	(6,960)	(2,924)	(13,853)	—	(27,331)
Effect of movements in foreign exchange	—	487	99	314	—	64	—	964
Total January 31, 2020	$ —	$ 304,270	$ 47,279	$ 254,930	$ 16,038	$ 54,674	$ —	$ 677,191
Net book value January 31, 2020	$ 18,869	$ 266,456	$ 36,538	$ 111,381	$ 65,081	$ 21,625	$ 35,125	$ 555,075

The Company reviews its property and equipment for indicators of impairment. During the year ended January 31, 2020 the Company wrote-off assets with a net book value of $7,909 which were reimbursed by insurance proceeds.

Interest capitalized

Interest attributable to the construction of qualifying assets was capitalized using an average rate of 3.4% and 3.9% for the years ended January 31, 2021 and 2020 respectively. Interest capitalized in additions amounted to $180 (January 31, 2020 – $195). Accumulated interest capitalized in the cost total above amounted to $3,027 (January 31, 2020 – $2,847).

8. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

Right-of-use assets

January 31, 2021	Land & buildings	Fixtures & equipment	Aircraft	Total
Cost				
Balance, beginning of year	$ 208,216	$ 5,820	$ 5,104	$ 219,140
Additions	28,390	1,788	1,626	31,804
Disposals	(61,887)	(1,089)	(3,671)	(66,647)
Lease extensions and other items	487	150	—	637
Effect of movements in foreign exchange	(3,107)	(1)	—	(3,108)
Total January 31, 2021	$ 172,099	$ 6,668	$ 3,059	$ 181,826
Accumulated amortization				
Balance, beginning of year	$ 84,802	$ 2,810	$ 3,658	$ 91,270
Amortization expense	17,745	1,438	1,174	20,357
Disposals	(33,815)	(943)	(3,485)	(38,243)
Impairment losses	1,655	—	—	1,655
Effect of movements in foreign exchange	(979)	—	—	(979)
Total January 31, 2021	$ 69,408	$ 3,305	$ 1,347	$ 74,060
Net book value January 31, 2021	$ 102,691	$ 3,363	$ 1,712	$ 107,766

January 31, 2020	Land & buildings	Fixtures & equipment	Aircraft	Total
Cost				
Balance, beginning of year	$ 226,416	$ 6,717	$ 3,672	$ 236,805
Additions	20,558	1,345	2,062	23,965
Disposals	(39,413)	(2,243)	(630)	(42,286)
Effect of movements in foreign exchange	655	1	—	656
Total January 31, 2020	$ 208,216	$ 5,820	$ 5,104	$ 219,140
Accumulated amortization				
Balance, beginning of year	$ 101,863	$ 3,538	$ 3,610	$ 109,011
Amortization expense	20,567	1,521	678	22,766
Disposals	(37,949)	(2,249)	(630)	(40,828)
Effect of movements in foreign exchange	321	—	—	321
Total January 31, 2020	$ 84,802	$ 2,810	$ 3,658	$ 91,270
Net book value January 31, 2020	$ 123,414	$ 3,010	$ 1,446	$ 127,870

Lease liabilities

The total current and long-term lease liability is $16,393 (January 31, 2020 - $19,176) and $104,226 (January 31, 2020 - $119,928), respectively. The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At January 31, 2021, lease liabilities reflect a weighted-average risk-free rate of 3.7% (January 31, 2020 – 3.8%) and weighted-average remaining lease term of 10.2 years (January 31, 2020 – 9.7 years).

Maturity analysis - contractual undiscounted cash flows

	January 31, 2021
0-1 year	$ 20,148
2-3 years	36,781
4-5 years	25,423
6 years+	59,910
Total undiscounted cash flows	**$ 142,262**

Variable Lease Payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in net earnings in the period in which the condition that triggers those payments occurs. The Company made variable lease payments not included in lease liabilities of $7,137 (January 31, 2020 – $6,109).

Extension Options

Some store leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The extension options included by the Company do not extend the lease beyond ten years. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Other leases

Short-term and low value lease payments are not material.

9. GOODWILL & INTANGIBLE ASSETS

Goodwill

	January 31, 2021	January 31, 2020
Balance, beginning of year	$ 49,569	$ 45,203
Additions	—	4,125
Effect of movements in foreign exchange	(1,306)	241
Balance, end of year	$ 48,263	$ 49,569

Goodwill represents the excess of the consideration transferred to acquire businesses over the fair value of their identifiable assets.

Goodwill Impairment Testing

A goodwill asset balance of $37,238 (January 31, 2020 – $38,544) relates to acquisition of subsidiaries by the Company's International Operations. A goodwill asset balance of $11,025 (January 31, 2020 – $11,025) relates to acquisitions by the Company's Canadian Operations. These balances were tested by means of comparing the recoverable amount of the operating segment to its carrying value. The recoverable amount was based on its fair value less costs to sell.

The recoverable amount was estimated from the product of financial performance and trading multiples observed for both the Company and other publicly traded retail companies. Values assigned to the key assumptions represent management's best estimates and have been based on data from both external and internal sources. This fair value measurement was categorized as a Level 3 fair value measurement based on the inputs in the valuation technique used. Key assumptions used in the estimation of enterprise value are as follows:

- Financial performance was measured with actual and budgeted earnings based on sales and expense growth specific to each store and the Company's administrative offices. Financial budgets and forecasts are approved by senior management and consider historical sales volume and price growth;
- The ratio of enterprise value to financial performance was determined using a range of market trading multiples from the Company and other public retail companies; and
- Costs to sell have been estimated as a fixed percentage of enterprise value. This is consistent with the approach of an independent market participant.

No impairment has been identified on goodwill, and management considers reasonably foreseeable changes in key assumptions are unlikely to produce a goodwill impairment.

Intangible assets

January 31, 2021	Software	Store banners	Other	Total
Cost				
Balance, beginning of year	$ 62,911	$ 10,170	$ 12,895	$ 85,976
Additions	3,977	—	381	4,358
Effect of movements in foreign exchange	—	(345)	(113)	(458)
Total January 31, 2021	$ 66,888	$ 9,825	$ 13,163	$ 89,876
Accumulated Amortization				
Balance, beginning of year	$ 36,033	$ —	$ 8,335	$ 44,368
Amortization expense	8,591	—	772	9,363
Effect of movements in foreign exchange	—	—	(6)	(6)
Total January 31, 2021	$ 44,624	$ —	$ 9,101	$ 53,725
Net book value January 31, 2021	**$ 22,264**	**$ 9,825**	**$ 4,062**	**$ 36,151**

Intangible assets

January 31, 2020	Software	Store banners	Other	Total
Cost				
Balance, beginning of year	$ 62,164	$ 10,103	$ 10,554	$ 82,821
Additions	3,861	—	2,314	6,175
Write off of fully amortized assets	(3,114)	—	—	(3,114)
Effect of movements in foreign exchange	—	67	27	94
Total January 31, 2020	$ 62,911	$ 10,170	$ 12,895	$ 85,976
Accumulated Amortization				
Balance, beginning of year	$ 35,752	$ —	$ 7,870	$ 43,622
Amortization expense	3,395	—	462	3,857
Write off of fully amortized assets	(3,114)	—	—	(3,114)
Effect of movements in foreign exchange	—	—	3	3
Total January 31, 2020	$ 36,033	$ —	$ 8,335	$ 44,368
Net book value January 31, 2020	**$ 26,878**	**$ 10,170**	**$ 4,560**	**$ 41,608**

Work in process

As at January 31, 2021, the Company had incurred $23 (January 31, 2020 – $14,338) for intangible assets that were not yet available for use, and therefore not subject to amortization.

Intangible Asset Impairment Testing

The Company determines the fair value of the store banners using the Relief from Royalty approach. This method requires management to make long-term assumptions about future sales, terminal growth rates, royalty rates and discount rates. Sales forecasts for the following financial year together with medium and terminal growth rates ranging from 2% to 5% are used to estimate future sales, to which a royalty rate of 0.5% is applied. The present value of this royalty stream is compared to the carrying value of the asset. No impairment has been identified on intangible assets and management considers reasonably foreseeable changes in key assumptions are unlikely to produce an intangible asset impairment.

10. INCOME TAXES

The following are the major components of income tax expense:

Year Ended	January 31, 2021	January 31, 2020
Current tax expense:		
Current tax on earnings for the year	**$ 26,332**	$ 15,400
Withholding taxes	**130**	124
Over provision in prior years	**(2,191)**	(1,982)
	$ 24,271	$ 13,542
Deferred tax expense:		
Origination and reversal of temporary differences	**$ 22,598**	$ 7,425
Impact of change in tax rates	**6**	75
Under provision in prior years	**2,106**	2,090
	$ 24,710	$ 9,590
Income taxes	**$ 48,981**	$ 23,132

Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to earnings before taxes for the following reasons:

Year Ended	January 31, 2021	January 31, 2020
Earnings before income taxes	**$192,541**	$109,405
Combined statutory income tax rate	**24.0 %**	21.3 %
Expected income tax expense	**$ 46,197**	$23,280
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses/ non-taxable income	**$ (25)**	$ (1,530)
Unrecognized income tax losses	**982**	892
Withholding taxes	**130**	124
Impact of change in tax rates	**6**	75
GILTI tax (1)	**1,836**	—
(Over)/under provision in prior years	**(85)**	108
Other	**(60)**	183
Provision for income taxes	**$ 48,981**	$23,132
Income tax rate	**25.4 %**	21.1 %

(1) The Company is subject to the Global Intangible Low-Taxed Income provision ("GILTI") enacted as part of the US Tax Cuts and Jobs Act in December 2017. This tax is imposed on the foreign earnings of a controlled foreign corporation. The Company has the option to account for the GILTI tax as a period cost, if and when incurred, or to recognize deferred taxes for outside basis temporary differences expected to reverse as GILTI. The Company has elected to account for GILTI as a period cost.

Changes in the combined statutory income tax rate primarily reflect changes in earnings of the Company's subsidiaries across various tax jurisdictions.

Deferred tax assets of $5,646 (January 31, 2020 - $4,800) arising from certain foreign income tax losses were not recognized on the consolidated balance sheets. The income tax losses expire from 2023 – 2031.

Deferred income tax charged (credited) to other comprehensive income during the year is as follows:

Year Ended	January 31, 2021	January 31, 2020
Net investment hedge:		
Origination and reversal of temporary difference	**$ (1,153)**	$ —
Impact of change in tax rates	**—**	—
	$ (1,153)	$ —
Defined benefit plan actuarial gain / (loss):		
Origination and reversal of temporary difference	**$ 1,384**	$ (3,115)
Impact of change in tax rates	**2**	(2)
	$ 1,386	$ (3,117)

Income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

	January 31, 2020	Taxes (charged) credited to net earnings	Taxes (charged)/ credited to OCI	Other adjustments	**January 31, 2021**
Deferred tax assets:					
Property & equipment	$ 7,791	$ 4,174	$ —	$ 11	**$ 11,976**
Lease obligation	32,100	(3,665)	—	(481)	**27,954**
Inventory	2,233	429	—	(64)	**2,598**
Share-based compensation and long-term incentive plans	5,039	1,689	—	(28)	**6,700**
Defined benefit plan obligation	11,316	984	(1,386)	—	**10,914**
Accrued liabilities	3,675	(1,256)	—	(82)	**2,337**
Deferred limited partnership earnings	2,038	(2,038)	—	—	**—**
Unrealized foreign exchange loss	—	—	1,153	—	**1,153**
Other	2,634	350	—	24	**3,008**
	$ 66,826	$ 667	$ (233)	$ (620)	**$ 66,640**
Deferred tax liabilities:					
Goodwill & intangible assets	$ (1,047)	$ (158)	$ —	$ 43	**$ (1,162)**
Property & equipment	(13,115)	(1,719)	—	217	**(14,617)**
Right-of-use assets	(29,530)	3,746	—	429	**(25,355)**
Investment in joint venture	(1,654)	(50)	—	19	**(1,685)**
Deferred limited partnership earnings	—	(24,667)	—	(9)	**(24,676)**
Other	(1,997)	(2,529)	—	181	**(4,345)**
	$ (47,343)	$ (25,377)	$ —	$ 880	**$ (71,840)**
	$ 19,483	$ (24,710)	$ (233)	$ 260	**$ (5,200)**

Recorded on the consolidated balance sheet as follows:

Year Ended	**January 31, 2021**	January 31, 2020
Deferred tax assets	**$ 7,288**	$ 28,233
Deferred tax liabilities	**(12,488)**	(8,750)
	$ (5,200)	$ 19,483

	February 1, 2019	Taxes (charged) credited to net earnings	Taxes charged to OCI	Other adjustments	**January 31, 2020**
Deferred tax assets:					
Property & equipment	$ 17,404	$ (9,594)	$ —	$ (19)	**$ 7,791**
Lease obligation	32,228	(193)	—	65	**32,100**
Inventory	1,736	485	—	12	**2,233**
Share-based compensation and long-term incentive plans	4,228	810	—	1	**5,039**
Defined benefit plan obligation	7,846	353	3,117	—	**11,316**
Accrued liabilities	3,610	50	—	15	**3,675**
Deferred limited partnership earnings	1,319	719	—	—	**2,038**
Other	1,170	1,535	—	(71)	**2,634**
	$ 69,541	$ (5,835)	$ 3,117	$ 3	**$ 66,826**
Deferred tax liabilities:					
Goodwill & intangible assets	$ (834)	$ (206)	$ —	$ (7)	**$ (1,047)**
Property & equipment	(9,181)	(3,899)	—	(35)	**(13,115)**
Right-of-use assets	(29,302)	(158)	—	(70)	**(29,530)**
Investment in joint venture	(1,130)	(524)	—	—	**(1,654)**
Other	(2,784)	1,032	—	(245)	**(1,997)**
	$ (43,231)	$ (3,755)	$ —	$ (357)	**$ (47,343)**
	$ 26,310	$ (9,590)	$ 3,117	$ (354)	**$ 19,483**

In assessing the recovery of deferred income tax assets, management considers whether it is probable that the deferred income tax assets will be realized. The recognition and measurement of the current and deferred tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations and in the assessment of the recoverability of deferred tax assets. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences are deductible.

Actual income taxes could vary from these estimates as a result of future events, including changes in income tax laws or the outcome of tax reviews by tax authorities and related appeals. To the extent the final outcome is different from the amounts initially recorded, such differences, which could be significant, will impact the tax provision in the period in which the outcome is determined.

No deferred tax has been recognized in respect of temporary differences between the carrying value and tax value of investments in subsidiaries. The Company is in a position to control the timing and reversal of these differences and believes it is probable that they will not reverse in the foreseeable future. The temporary differences associated with the Company's foreign subsidiaries are approximately $190,737 at January 31, 2021 (January 31, 2020 – $152,539).

11. OTHER ASSETS

	January 31, 2021	January 31, 2020
Investment in joint venture (Note 23)	**$ 12,481**	$ 12,252
Other	**1,545**	1,336
	$ 14,026	$ 13,588

12. LONG-TERM DEBT

	January 31, 2021	January 31, 2020
Current:		
Revolving loan facility [(1)]	**$ —**	$ 950
Senior notes [(4)]	**89,300**	—
Promissory note payable [(8)]	**1,156**	900
	$ 90,456	$ 1,850
Non-current:		
Revolving loan facility [(1)]	**$ —**	$ —
Revolving loan facilities [(2)]	**—**	36,943
Revolving loan facilities [(3)]	**—**	176,716
Senior notes [(4)]	**—**	92,334
Senior notes [(5)]	**89,300**	—
Senior notes [(6)]	**100,000**	100,000
Revolving loan facility [(7)]	**—**	—
Promissory notes payable [(8)]	**1,666**	3,122
	$ 190,966	$ 409,115
Total	**$ 281,422**	$ 410,965

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US$40,000 for working capital requirements and general business purposes. This facility matures February 12, 2025, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2021, the International Operations had drawn US$NIL (January 31, 2020 – US$719) on this facility.

(2) The US$52,000 loan facilities mature September 26, 2022 and bear interest at U.S. LIBOR plus a spread. These committed loan facilities are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes due in 2021, the US$70,000 senior notes due in 2027 and 2032, the $100,000 senior notes and the $300,000 Canadian Operations loan facilities. At January 31, 2021, the Company had drawn US$NIL (January 31, 2020 – US$27,936) on these facilities.

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to $300,000 for working capital and general business purposes. These facilities mature September 26, 2022, are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes due in 2021, the $100,000 senior notes, the US$70,000 senior notes due in 2027 and 2032 and the US$52,000 loan facilities. 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 16, 2021, have a fixed interest rate of 3.27% on US$55,000 and a floating interest rate on US$15,000 based on U.S. LIBOR plus a spread. The senior notes are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the $100,000 senior notes, the US$70,000 senior notes due in 2027 and 2032 and the US$52,000 loan facilities.

(5) In June 2020, the Company issued US$70,000 senior notes. These US$70,000 senior notes comprise US$35,000 due June 16, 2027 with a fixed interest rate of 2.88% and US$35,000 due June 16, 2032 with a fixed interest rate of 3.09%. The senior notes are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the $100,000 senior notes, the US$70,000 senior notes due June 16, 2021 and the US$52,000 loan facilities.

(6) The $100,000 senior notes mature September 26, 2029, have a fixed interest rate of 3.74%, are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the US$70,000 senior notes due in 2021, the US$70,000 senior notes due in 2027 and 2032 and the US$52,000 loan facilities.

(7) The Canadian and International Operations have revolving loan facilities to meet working capital requirements and for general business purposes. These facilities bear a floating rate of interest and are secured by certain assets of the Company.

(8) Promissory notes payable are non-interest bearing, have annual principal payments and are secured by certain assets of the Company.

13. POST-EMPLOYMENT BENEFITS

The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan, which incorporated legislated changes, administrative practice, and added a defined contribution provision (the "Amended Plan"). Under the Amended Plan, all members as of December 31, 2011 who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. The defined benefit pension previously earned by members transitioned to the defined contribution plan, will continue to accrue in accordance with the terms of the plan based on the member's current pensionable earnings. Members who met the qualifying threshold on January 1, 2011, elected between accruing a defined contribution benefit and continuing to accrue a defined benefit pension in accordance with the provisions of the Amended Plan.

The defined benefit pension plans are based on years of service and final average salary. The Company uses actuarial reports prepared by independent actuaries for accounting purposes as at January 31, 2021 and January 31, 2020. The accrued pension benefits and funding requirements were last determined by actuarial valuation as at December 31, 2019. The next actuarial valuation is required as at December 31, 2020. The Company also sponsors an employee savings plan covering certain U.S. employees with at least six months of service. Under the terms of the plan, the Company is obligated to make contributions that range between 3% and 5% of eligible compensation.

During the year ended January 31, 2021, the Company contributed $1,624 to its defined benefit pension plans (January 31, 2020 – $3,528). During the year ended January 31, 2021, the Company contributed $4,095 to its defined contribution pension plans (January 31, 2020 – $3,929). The current best estimate of the Company's funding obligation for the defined benefit pension plans for the year commencing February 1, 2021 is $1,577. In addition to the cash funding, a portion of the pension plan obligation may be settled by the issuance of a letter of credit in accordance with pension legislation. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

Movement in plan assets and defined benefit obligation
Information on the Company's defined benefit plans, in aggregate, is as follows:

	January 31, 2021	January 31, 2020
Plan assets:		
Fair value, beginning of year	**$ 95,122**	$ 85,665
Accrued interest on assets	**2,584**	3,195
Benefits paid	**(5,826)**	(5,461)
Plan administration costs	**(538)**	(542)
Employer contributions	**1,624**	3,528
Employee contributions	**3**	7
Return on assets greater than discount rate	**4,558**	8,730
Fair value, end of year	**$ 97,527**	$ 95,122
Plan obligations:		
Defined benefit obligation, beginning of year	**$ (135,260)**	$ (114,634)
Current service costs	**(3,842)**	(3,103)
Employee contributions	**(3)**	(7)
Interest on plan liabilities	**(3,658)**	(4,220)
Benefits paid	**6,215**	7,007
Actuarial remeasurement due to:		
Plan experience	**1,250**	(14)
Financial assumptions	**(675)**	(20,289)
Defined benefit obligation, end of year	**$ (135,973)**	$ (135,260)
Plan deficit	**$ (38,446)**	$ (40,138)

The defined benefit obligation exceeds the fair value of plan assets as noted in the table. While the plans are not considered fully funded for financial reporting purposes, registered plans are funded in accordance with the applicable statutory funding rules and regulations governing the particular plans.

Defined benefit obligation
The following actuarial assumptions were employed to measure the plan:

	January 31, 2021	January 31, 2020
Discount rate on plan liabilities	**2.72 %**	2.75 %
Rate of compensation increase	**4.00 %**	4.00 %
Discount rate on plan expense	**2.75 %**	3.75 %
Inflation assumption	**2.00 %**	2.00 %

The assumptions used are the best estimates chosen from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The weighted-average duration of the defined benefit obligation at the end of the reporting period is 16.8 years (January 31, 2020 – 17.1 years).

The average life expectancy in years of a member who reaches normal retirement age of 65 is as follows:

	January 31, 2021	January 31, 2020
Average life expectancies at age 65 for current pensioners:		
Male	**21.5**	21.4
Female	**24.0**	23.9
Average life expectancies at age 65 for current members aged 45:		
Male	**22.6**	22.6
Female	**25.3**	25.0

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. For the years ended January 31, 2021 and 2020, mortality assumptions have been estimated at 106% of the base mortality rates in the CPM2014PRIV table based on pension size and industry classification.

Sensitivity of key assumption
The following table outlines the sensitivity of a 1% change in the discount rate used to measure the defined benefit plan obligation and cost for the defined benefit pension plans. The table reflects the impact on both the current service and interest cost expense components.

The sensitivity analysis provided in the key assumption table is hypothetical and should be used with caution. The sensitivities have been calculated independently of any changes in other assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

		Defined benefit plan obligation	Benefit plan cost
Discount rate:			
Impact of:	1% increase	$ (20,063)	$ (1,042)
	1% decrease	$ 25,634	$ 944

Plan assets

The major categories of plan assets as a percentage of total plan assets are listed below. The pension plans have no direct investment in the shares of the Company.

	January 31, 2021	January 31, 2020
Plan assets:		
Canadian equities (pooled)	**17 %**	17 %
Global equities (pooled)	**41 %**	39 %
Real estate equities (pooled)	**9 %**	9 %
Debt securities	**33 %**	35 %
Total	**100 %**	100 %

Governance and plan management

The Company's Pension Committees oversee the pension plans. These committees are responsible for assisting the Board of Directors to fulfill its governance responsibilities for the plans. The committees assist with plan administration, regulatory compliance, pension investment and monitoring responsibilities.

Plan assets are subject to the risk that changes in market prices, such as interest rates, foreign exchange and equity prices will affect their value. A Statement of Investment Policy and Procedures (SIPP) guides the investing activity of the defined benefit pension plans to mitigate market risk. Assets are expected to achieve, over moving three to four-year periods, a return at least equal to a composite benchmark made up of passive investments in appropriate market indices. These indices are consistent with the policy allocation in the SIPP.

Periodically, an Asset-Liability Modeling study is done to update the policy allocation between liability hedging assets and return seeking assets. This is consistent with managing both the funded status of the defined benefit pension plans and the Company's long-term costs. It assists with adequately securing benefits and mitigating year-to-year fluctuations in the Company's cash contributions and pension expense. The defined benefit plans are subject to, and actively manage, the following specific market risks:

Interest rate risk: is managed by allocating a portion of plan investments to liability hedging assets, comprised of a passive universe bond fund.

Currency risk: is managed through asset allocation. A significant portion of plan assets are denominated in the same currency as plan obligations.

Equity price risk: The defined benefit pension plans are directly exposed to equity price risk on return seeking assets. Fair value or future cash flows will fluctuate due to changes in market prices because they may not be offset by changes in obligations. Investment management of plan assets is outsourced to independent managers.

Statements of earnings and comprehensive income

The following pension expenses have been charged to the consolidated statements of earnings:

	January 31, 2021	January 31, 2020
Employee costs (Note 18)		
Defined benefit pension plan, current service costs included in post-employment benefits	**$ 3,842**	$ 3,103
Plan administration costs	**538**	542
Defined contribution pension plan	**4,095**	3,929
Savings plan for U.S. employees	**1,323**	1,328
	$ 9,798	$ 8,902
Interest expense (Note 19)		
Accrued interest on assets	**$ (2,584)**	$ (3,195)
Interest on plan liabilities	**3,658**	4,220
	$ 1,074	$ 1,025

The following amounts have been included in other comprehensive income:

	January 31, 2021	January 31, 2020
Current Year:		
Return on assets greater than discount rate	**$ 4,558**	$ 8,730
Actuarial remeasurement due to:		
Plan experience	**1,250**	(14)
Financial assumptions	**(675)**	(20,289)
Taxes on actuarial remeasurement in OCI	**(1,386)**	3,117
Net actuarial remeasurement recognized in OCI	**$ 3,747**	$ (8,456)
Cumulative gains/(losses) recognized in OCI:		
Cumulative gross actuarial remeasurement in OCI	**$ (15,489)**	$ (20,622)
Taxes on cumulative actuarial remeasurement in OCI	**2,092**	3,478
Total actuarial remeasurement recognized in OCI, net	**$ (13,397)**	$ (17,144)

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

	January 31, 2021	January 31, 2020
Accrued interest on assets	**$ 2,584**	$ 3,195
Return on assets greater than discount rate	**4,558**	8,730
Actual return on plan assets	**$ 7,142**	$ 11,925

14. SHARE-BASED COMPENSATION

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

The total expense relating to share–based payment plans for the year ended January 31, 2021 was $22,495 (January 31, 2020 – $3,550). The carrying amount of the Company's share-based compensation arrangements including PSU, share option, DDSU and EDSU plans are recorded on the consolidated balance sheets as follows:

	January 31, 2021	January 31, 2020
Accounts payable and accrued liabilities	**$ 7,434**	$ 11,080
Other long-term liabilities	**13,474**	10,225
Contributed surplus	**11,825**	7,081
Total	**$ 32,733**	$ 28,386

Performance Share Units

The Company has granted Performance Share Units to officers and senior management. Each PSU entitles the participant to receive either a cash payment equal to the market value of the number of notional units granted or one share of the Company for each notional unit 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 based on the grant date fair market value of the award. 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 year ended January 31, 2021 are $8,755 (January 31, 2020 – $5,216). The total number of PSUs outstanding at January 31, 2021 that may be settled in treasury shares is 322,910 (January 31, 2020 - 243,712). There were no PSUs settled in treasury shares during the year (January 31, 2020 - NIL).

Director Deferred Share Unit Plan

This Plan is available for independent Directors. Participants are credited with deferred share units for the amount of the annual equity retainer, and for the portion of the annual cash retainer and fees each participant elects to allocate to the DDSU plan. Each deferred share unit entitles the holder to receive a share of the Company. The DDSUs are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Director. A participant may elect at the time of exercise of any DDSUs, subject to the consent of the Company, to have the Company pay an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date. This cash payment is in consideration for the surrender by the participant to the Company the right to receive shares from exercising the DDSUs. Effective December 2016, the Plan was amended for those DDSUs credited to participants for the portion of the annual cash retainer and fees each participant elects to allocate to the Plan. The holder of these DDSUs is entitled to receive at the time of exercise, 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.

Compensation expense is initially measured at the time of the grant. Subsequent changes in the fair value of the DDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The DDSU plan compensation costs for the year ended January 31, 2021 are an expense of $3,618 (January 31, 2020 – expense of $346). The total number of deferred share units outstanding at January 31, 2021 is 314,829 (January 31, 2020 – 318,227). There were 51,750 DDSUs exercised in cash during the year ended January 31, 2021 (January 31, 2020 – NIL).

Executive Deferred Share Unit Plan

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

Total compensation expense is measured at the time of the grant. Subsequent changes in the fair value of the EDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The EDSU plan compensation costs for the year ended January 31, 2021 are an expense of $217 (January 31, 2020 – recovery of $32).

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 9.0% of the Company's issued and outstanding shares at January 31, 2021. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over four to five years and are exercisable over a period of seven years. The share option compensation costs for the year ended January 31, 2021 are an expense of $9,027 (January 31, 2020 – recovery of $2,786). The fair values for options issued during the year were calculated based on the following assumptions:

	January 31, 2021	January 31, 2020
Fair value of options granted	**$ 2.70**	$ 2.69
Exercise price	**$ 29.23**	$28.11 to $30.01
Dividend yield	**4.5 %**	4.3 %
Annual risk-free interest rate	**0.4 %**	1.5 %
Expected share price volatility	**24.1 %**	19.3 %

The assumptions used to measure options at the balance sheet dates are as follows:

	January 31, 2021	January 31, 2020
Dividend yield	**4.4 %**	4.9 %
Annual risk-free interest rate	**0.1% to 0.2%**	1.4% to 2.0%
Expected share price volatility	**20.8% to 39.1%**	11.7% to 17.9%

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

The following continuity schedules reconcile the movement in outstanding options during the year:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	January 31, 2021	January 31, 2020	**January 31, 2021**	January 31, 2020
Outstanding options, beginning of year	**1,919,959**	1,967,723	**899,854**	430,340
Granted	**—**	—	**461,969**	499,311
Exercised	**(1,090,772)**	(15,985)	**(44,811)**	(2,295)
Forfeited or cancelled	**(13,915)**	(31,779)	**(79,646)**	(27,502)
Outstanding options, end of year	**815,272**	1,919,959	**1,237,366**	899,854
Exercisable at end of year	**398,150**	1,055,151	**279,821**	114,517

The weighted-average share price on the dates options were exercised during the year was $33.81 (January 31, 2020 – $30.08).

Weighted-average exercise price	**Declining Strike Price Options**		**Standard Options**	
	January 31, 2021	January 31, 2020	**January 31, 2021**	January 31, 2020
Outstanding options, beginning of year	**$ 27.34**	$ 27.36	**$ 28.01**	$ 27.83
Granted	**—**	—	**29.23**	28.17
Exercised	**23.97**	24.26	**26.60**	27.77
Forfeited or cancelled	**31.28**	30.26	**28.17**	27.90
Outstanding options, end of year	**$ 30.15**	$ 27.34	**$ 28.51**	$ 28.01
Exercisable at end of year	**$ 25.63**	$ 21.40	**$ 27.97**	$ 27.17

Summary of options outstanding by grant year

	Outstanding				Exercisable	
Grant year	Range of exercise price	Number outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Options exercisable	Weighted-average exercise price
2014	$ 19.99-19.99	37,903	0.2	$ 19.99	37,903	$ 19.99
2015	$ 21.50-25.63	81,175	1.2	$ 22.08	81,175	$ 22.08
2016	$ 25.38-28.81	308,538	2.2	$ 25.50	162,614	$ 25.53
2017	$ 28.93-32.40	429,995	3.4	$ 29.76	141,781	$ 29.76
2018	$ 27.77-27.77	311,095	4.2	$ 27.77	148,375	$ 27.77
2019	$ 28.13-30.02	432,162	5.2	$ 28.18	106,123	$ 28.18
2020	$ 29.23-29.23	451,770	6.4	$ 29.23	—	$ —

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 costs for the year ended January 31, 2021 are $878 (January 31, 2020 – $806).

15. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks including liquidity risk, credit risk and market risk. The Company's overall risk management program focuses on minimizing potential adverse effects on financial performance.

The Company manages funding and financial risk management with oversight provided by the Board of Directors, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company's operational cash flow is reasonably stable and predictable. This reflects the business risk profile of the majority of markets in which the Company operates and its product mix. Cash flow forecasts are produced regularly and reviewed against the Company's debt portfolio capacity and maturity profile to assist management in identifying future liquidity requirements. The Company's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the business requirements.

The Company is financed by a combination of cash flow from operating activities, bank advances, senior notes and committed revolving loan facilities. At January 31, 2021, the Company had undrawn committed revolving loan facilities available of $400,250 (January 31, 2020 – $189,844) which mature in 2022 and 2025 (Note 12).

The following table analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows or an estimation in respect of floating interest rate liabilities, and as a result may not agree to the amounts disclosed on the balance sheet.

	2021	2022	2023	2024	2025	2026+	Total
Accounts payable and accrued liabilities	$ 205,202	$ —	$ —	$ —	$ —	$ —	$ 205,202
Current portion of long-term debt (Note 12)	91,551	—	—	—	—	—	91,551
Long-term debt (Note 12)	6,767	7,923	7,023	7,023	6,767	212,858	248,361
Total	$ 303,520	$ 7,923	$ 7,023	$ 7,023	$ 6,767	$ 212,858	$ 545,114

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposures to credit risk arise primarily from holdings of cash, customer and commercial accounts receivable and promissory note receivable.

To mitigate credit risk, the Company maintains deposits with financial institutions with minimum equivalent short-term credit ratings of "A1". The maximum exposure on cash is equal to the carrying amount of these instruments.

It is the Company's policy that customers who wish to trade on credit terms are subject to credit verification procedures including policies governing: credit approvals, limits, collections and fraud prevention. The Company provides impairment allowances for potentially uncollectible accounts receivable. Receivable balances are comprised of approximately forty thousand customers spread across a wide geography, substantially reducing the Company's risk through the diversity of its customer base. Further, receivables are centrally monitored on an ongoing basis with the result that the Company's exposure to individual customers is generally not significant. The maximum exposure net of impairment allowances is $91,443 (January 31, 2020 – $104,869). The Company does not have any individual customers greater than 10% of total accounts receivable. At January 31, 2021, the Company's gross maximum credit risk exposure is $102,573 (January 31, 2020 – $116,707). Of this amount, $9,863 (January 31, 2020 – $14,086) is more than 60 days past due. The Company has recorded an allowance against its maximum exposure to credit risk of $11,130 (January 31, 2020 – $11,838) which is based on expected credit losses for similar financial assets.

The Company has an unsecured, non-interest bearing promissory note receivable of $49,020 (January 31, 2020 – $NIL) from Giant Tiger Stores Limited. This promissory note is considered to have a low credit risk based on the high credit quality of its counterparty. See Note 24.

As at January 31, 2021 and 2020, the Company has no significant credit risk related to derivative financial instruments.

Market risk

(a) *Currency risk* The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from U.S. dollar denominated borrowings and net investments in foreign operations.

Management is responsible for managing foreign currency risk. The Company's U.S. dollar net investment is exposed to foreign currency translation risk. The Company has hedged US$140,000 of this risk with U.S. dollar denominated borrowings. No ineffectiveness was recognized from the net investment hedge.

In respect of recognized foreign currency assets and liabilities, the Company has limited exposure. Procurement and related borrowing activity are generally conducted in currencies matching cash flows generated by underlying operations, providing an economic hedge without sophisticated treasury management. Short-term imbalances in foreign currency holdings are rectified by buying or selling at spot rates when necessary.

Management considers a 10% variation in the Canadian dollar relative to the U.S. dollar reasonably possible. Considering all major exposures to the U.S. dollar as described above, a 10% appreciation of the Canadian dollar against the U.S. dollar in the year-end rate would cause net earnings to decrease by approximately $100. A 10% depreciation of the Canadian dollar against the U.S. dollar year-end rate would cause net earnings to increase by approximately $100 (January 31, 2020 – $100).

The Company may use derivative financial instruments to manage market risk. These transactions are approved by the Board of Directors. The derivatives are entered into with financial institution counter parties rated AA-.

(b) *Interest rate risk* Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings.

The Company manages exposure to interest rate risk by monitoring its blend of fixed and floating interest rates, and may modify this blend using interest rate swaps. The goal of management is to manage the trade-off between obtaining the most beneficial effective rates of interest, while minimizing the impact of interest rate volatility on earnings.

Management considers a 100 basis point change in interest rates reasonably possible. Considering all major exposures to interest rates as described above, based on floating rate borrowings outstanding at January 31, 2021 a 100 basis point increase in the risk-free rate would cause net earnings to decrease by approximately $150 (January 31, 2020 – $1,800). A 100 basis point decrease would cause net earnings to increase by approximately $150 (January 31, 2020 – $1,800).

(c) *Accounting classifications and fair value estimation* The following table comprises the carrying amounts of the Company's financial instruments. Financial instruments are either carried at amortized cost using the effective interest rate method or fair value.

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

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

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

January 31, 2021		**Assets (Liabilities) carried at amortized cost**	
	Maturity	Carrying amount	Fair value
Cash	Short-term	$ 71,536	$ 71,536
Accounts receivable	Short-term	91,443	91,443
Promissory note receivable	Long-term	49,020	49,020
Other financial assets	Long-term	1,393	1,393
Accounts payable and accrued liabilities	Short-term	(205,202)	(205,202)
Current portion of long-term debt	Short-term	(90,456)	(91,076)
Long-term debt	Long-term	(190,966)	(198,456)

January 31, 2020		**Assets (Liabilities) carried at amortized cost**	
	Maturity	Carrying amount	Fair value
Cash	Short-term	$ 28,187	$ 28,187
Accounts receivable	Short-term	104,869	104,869
Other financial assets	Long-term	1,281	1,281
Accounts payable and accrued liabilities	Short-term	(173,058)	(173,058)
Current portion of long-term debt	Short-term	(1,850)	(1,850)
Long-term debt	Long-term	(409,115)	(416,295)

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. This is considered a level 2 fair value estimate.

- The carrying value of the promissory note receivable is a reasonable approximation of fair value. The fair value when recognized was estimated by calculating the present value of the future expected cash flows using an effective interest rate derived from comparable debt issuances.

Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate total return to shareholders while maintaining a capital structure that provides the flexibility to take advantage of the growth opportunities of the business, maintain existing assets, meet obligations and financial covenants and enhance shareholder value. The capital structure of the Company consists of bank advances, long-term debt and shareholders' equity. The Company manages capital to optimize efficiency through an appropriate balance of debt and equity. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue additional shares, borrow additional funds, adjust the amount of dividends paid or refinance debt at different terms and conditions.

The Company's process and policies for managing capital are monitored by management and are reflected in the following measures:

(a) *Debt-to-equity ratio* At January 31, 2021, the debt-to-equity ratio was 0.56 compared to 0.96 last year. The debt-to-equity ratio is within the Company's objectives. The debt-to-equity ratio is calculated as follows:

		January 31, 2021		January 31, 2020
Current portion of long-term debt	**$**	**90,456**	$	1,850
Long-term debt		**190,966**		409,115
Total debt	**$**	**281,422**	$	410,965
Total equity	**$**	**505,231**	$	426,970
Debt-to-equity ratio		**0.56**		0.96

(b) *Financial covenants* As a result of borrowing agreements entered into by the Company, there are certain financial covenants that must be maintained. Financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. Compliance with financial covenants is reported quarterly to the Board of Directors. During the years ended January 31, 2021 and 2020, the Company is in compliance with all financial covenants. Other than the requirements imposed by these borrowing agreements and solvency tests imposed by the CBCA, the Company is not subject to any externally imposed capital requirements.

Capital management objectives are reviewed on an annual basis. The capital management objectives were substantially unchanged for the year ended January 31, 2021.

16. SHARE CAPITAL

Authorized – The Company has an unlimited number of Common Voting Shares and Variable Voting Shares.

	Shares		**Consideration**
January 31, 2020	**48,750,929**	**$**	**173,681**
Purchased and cancelled (1)	**(180,774)**		**(648)**
Issued under option plans (Note 14)	**43,164**		**1,180**
Balance at January 31, 2021	**48,613,319**	**$**	**174,213**
January 31, 2019	48,750,929	$	173,681
Issued under option plans (Note 14)	—		—
Balance at January 31, 2020	48,750,929	$	173,681

(1) Variable voting shares and common voting shares purchased pursuant to NCIB program. The Company records shares repurchased on a transaction date basis.

Voting rights

The Company's share capital is comprised of Variable Voting Shares and Common Voting Shares. The two classes of shares have equivalent rights as shareholders except for voting rights. Holders of Variable Voting Shares are entitled to one vote per share except where (i) the number of outstanding Variable Voting Shares exceeds 49% of the total number of all issued and outstanding Variable Voting Shares and Common Voting Shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting on any matter on which a vote is to be taken exceeds 49% of the total number of votes cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 49% of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Common Voting Shares of the Company. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for the given Shareholders' meeting, carry more than 49% of the total number of votes cast at the meeting.

Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians (within the meaning of the Canada Transportation Act). An issued and outstanding Variable Voting Share is converted into one Common Voting Share automatically and without any further act of the Company or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, as defined in the Canada Transportation Act ("CTA").

Effective June 12, 2019, the Company amended the rights of its shares to align them with the CTA, as amended by the provisions of the Transportation Modernization Act (Canada). The purpose of these amendments is to increase the permitted level of foreign ownership allowed in respect of Canadian air service provided from 25% to 49%, subject to certain restrictions.

At January 31, 2021 shares outstanding of 48,613,319 included 16,379,039 (January 31, 2020 – 11,357,628) Variable Voting Shares, representing 33.7% (January 31, 2020 – 23.3%) of the total shares issued and outstanding.

Normal Course Issuer Bid

On November 10, 2020, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company may acquire up to a maximum of 4,807,437 of its shares, or approximately 10% of its float for cancellation over the following 12 months. During the year ended January 31, 2021, the Company purchased 180,774 common shares having a book value of $648 for cash consideration of $6,014. The excess of the purchase price over the book value of the shares of $5,366 was charged to retained earnings. All shares purchased were cancelled.

In connection with the NCIB, the Company has established an automatic securities purchase plan with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or self-imposed blackout periods. Under the plan, before entering a self-imposed blackout period, North West may, but is not required to, ask the designated broker to make purchases under the NCIB within specific parameters.

17. EXPENSES BY NATURE

Year Ended	**January 31, 2021**	January 31, 2020
Employee costs (Note 18)	**$ 361,470**	$ 321,993
Amortization	**92,078**	89,222
Operating lease rentals	**6,308**	5,836
Gain on partial insurance settlement (1)	**(5,306)**	(18,170)
Gain on disposition of Giant Tiger stores (2)	**(24,712)**	—

(1) The Company recorded gains on insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their net book values and also for recovery of business interruption losses on certain insurance claims.

(2) The Company recorded a gain on the disposition of 36 of its Giant Tiger stores. See Note 24.

18. EMPLOYEE COSTS

Year Ended	**January 31, 2021**	January 31, 2020
Wages, salaries and benefits including bonus	**$ 329,177**	$ 309,541
Post-employment benefits (Note 13)	**9,798**	8,902
Share-based compensation (Note 14)	**22,495**	3,550
Included in the above are the following amounts in respect of key management compensation:		
Wages, salaries and benefits including bonus	**$ 8,984**	$ 5,560
Post-employment benefit expense	**2,133**	1,852
Share-based compensation	**15,635**	173

Key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management personnel are comprised of the Board of Directors, Chief Executive Officer and the senior officers of the Company.

19. INTEREST EXPENSE

Year Ended	**January 31, 2021**	January 31, 2020
Interest on long-term debt	**$ 11,547**	$ 14,558
Interest on lease liabilities	**5,065**	5,560
Net interest on defined benefit plan obligation	**1,074**	1,025
Interest imputed on promissory note receivable	**(698)**	—
Interest capitalized	**(180)**	(195)
Interest expense	**$ 16,808**	$ 20,948

20. DIVIDENDS

The following is a summary of the dividends recorded in shareholders' equity and paid in cash:

Year Ended	**January 31, 2021**	January 31, 2020
Dividends recorded in equity and paid in cash	**$ 69,490**	$ 67,778
Less: Dividends paid to non-controlling interests	**(2,214)**	(3,427)
Shareholder dividends	**$ 67,276**	$ 64,351
Dividends per share	**$ 1.38**	$ 1.32

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

On April 7, 2021, the Board of Directors declared a dividend of $0.36 per common share to paid on April 28, 2021 to shareholders of record as of the close of business on April 16, 2021.

21. NET EARNINGS PER SHARE

Basic net earnings per share is calculated based on the weighted-average shares outstanding during the year. The diluted net earnings per share takes into account the dilutive effect of all potential ordinary shares. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

($ and shares in thousands, except earnings per share)

Year Ended	**January 31, 2021**	January 31, 2020
Diluted earnings per share calculation:		
Net earnings attributable to shareholders for the year (numerator for diluted earnings per share)	**$ 139,874**	$ 82,724
Weighted-average shares outstanding (denominator for basic earnings per share)	**48,758**	48,751
Dilutive effect of share-based compensation	**768**	624
Denominator for diluted earnings per share	**49,526**	49,375
Basic earnings per share	**$ 2.87**	$ 1.70
Diluted earnings per share	**$ 2.82**	$ 1.68

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Contingencies

In the ordinary course of business, the Company is subject to audits by taxation authorities. While the Company believes that its filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the taxation authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

The Company is involved in various legal matters arising in the normal course of business. The occurrence of the confirming future events is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees

The Company has provided the following guarantees to third parties:

The Company has entered into indemnification agreements with its current and former directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased director and officer liability insurance. No amount has been recorded in the consolidated financial statements with respect to these indemnification agreements.

In the normal course of operations, the Company provides indemnification agreements to counterparties for various events such as intellectual property right infringement, loss or damages to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. No amount has been recorded in the consolidated financial statements with respect to these indemnification agreements.

23. 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 %
Roadtown Wholesale Trading Ltd.	Retailing	British Virgin Islands		77 %
North Star Air Ltd.	Airline	Canada		100 %

The investment in joint venture comprises a 50% interest in a Canadian Arctic shipping company, Transport Nanuk Inc. At January 31, 2021, the Company's share of the net assets of its joint venture amount to $12,481 (January 31, 2020 – $12,252) comprised assets of $14,790 (January 31, 2020 - $14,955) and liabilities of $2,309 (January 31, 2020 – $2,703). During the year ended January 31, 2021, the Company purchased freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries of $7,731 (January 31, 2020 – $8,304).

24. DISPOSITION & STORE CLOSURE PROVISION

On July 5, 2020, the Company sold 36 of its 46 Giant Tiger stores (the Acquired Stores) to Giant Tiger Stores Limited for cash consideration of $45,000, subject to working capital adjustments, and additional contingent consideration payable of up to $22,500. The cash consideration is payable in installments on the second, third and fourth anniversaries of the transaction closing date and, subject to meeting certain profitability milestones, the additional contingent cash consideration is payable on the fourth and fifth anniversaries of the closing date. The consideration has been recorded as an unsecured, non-interest bearing promissory note receivable comprised of the net present value of the estimated installments, discounted using an interest rate specific to the counterparty. For the year-ended January 31, 2021 the promissory note receivable included cash consideration of $37,554 and estimated contingent cash consideration of $11,466.

The Company recognized a pre-tax gain on the sale of $24,712 ($19,991, net of tax) in selling, operating and administrative expenses and recognized interest imputed on the promissory note receivable of $698 (see Note 19).

Giant Tiger Asset Impairment Charge & Store Closure Provision

Of the remaining 10 GT locations, the Company: (i) retained and operates five key stores in northern market locations, (ii) converted one store to a Valu-Lots clearance center, and (iii) closed four stores in the third quarter of 2020. For the year ended January 31, 2021, the Company recorded a $9,411 asset impairment and store closure provision, of which $5,938 remains accrued. The store closure provision was included in selling, operating and administrative expenses in the consolidated statements of earnings, and has been applied to reduce the carrying amount of fixtures and equipment and right-of-use assets and to increase accrued liabilities on the consolidated balance sheets.

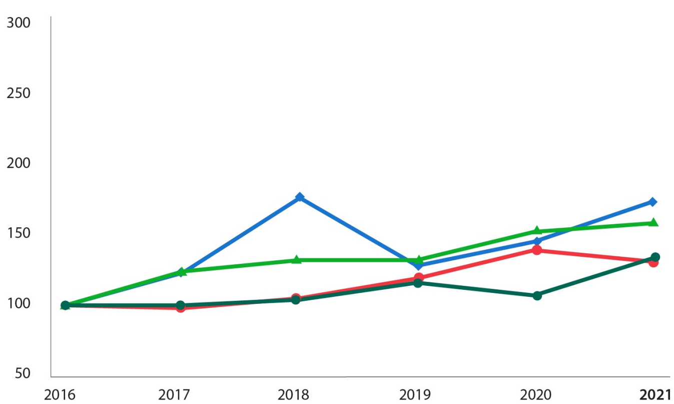
Shareholder Information

Fiscal Year Quarter Ended	Share Price High	Share Price Low	Share Price Close	Volume	EPS[1]
2020	**$36.92**	**$16.06**	**$32.37**	**60,827,077**	**$2.82**
April 30, 2020	28.23	16.06	26.30	18,232,655	$0.23
July 31, 2020	32.01	24.60	29.80	15,500,127	$1.25
October 31, 2020	36.92	27.78	32.85	14,079,055	$0.71
January 31, 2021	35.97	31.40	32.37	13,015,240	$0.63
2019	**$33.16**	**$27.18**	**$27.56**	**45,013,403**	**$1.68**
April 30, 2019	33.16	27.72	28.30	13,679,472	0.51
July 31, 2019	31.62	28.28	30.21	9,373,099	0.35
October 31, 2019	31.77	27.24	28.18	11,706,028	0.49
January 31, 2020	28.86	27.18	27.56	10,254,804	0.33
2018	**$32.19**	**$26.50**	**$31.17**	**46,269,066**	**$1.77**
April 30, 2018	29.18	26.50	27.61	12,470,336	0.36
July 31, 2018	30.90	27.43	29.72	10,442,107	0.36
October 31, 2018	30.41	27.03	28.70	9,319,834	0.78
January 31, 2019	32.19	28.41	31.17	14,036,789	0.27

1 Net earnings per share are on a diluted basis.

Total Return Performance (% at January 31)

This chart illustrates the relative performance of shares of The North West Company Inc. over the past five years. The index incorporates the reinvestment of dividends.



	2016	2017	2018	2019	2020	2021
NWC	100	100	104	116	107	**133**
TSX Composite	100	124	132	132	152	**158**
Retailing Group	100	123	176	128	145	**173**
Food/Staples Retailing Group	100	98	105	119	139	**131**

The North West Company Inc.
Anticipated Dividend Dates*

Record Date: April 16, 2021
Payment Date: April 28, 2021

Record Date: June 30, 2021
Payment Date: July 15, 2021

Record Date: September 30, 2021
Payment Date: October 15, 2021

Record Date: December 31, 2021
Payment Date: January 17, 2022

*Dividends are subject to approval by the Board of Directors

The 2021 Annual General Meeting of Shareholders of The North West Company Inc. will be held on Wednesday, June 9, 2021 at 11:30 am (Central Time) by virtual only meeting via live audio webcast online at:
https: web.lumiagm.com/443936254

Transfer Agent and Registrar
AST Trust Company (Canada)
600 The Dome Tower
333-7th Ave SW
Calgary, AB
Toll-free: 1 800 387 0825
www.astfinancial.com/ca-en

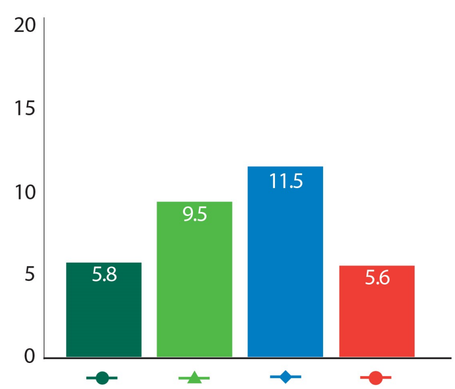
Stock Exchange Listing
The Toronto Stock Exchange

Stock Symbol NWC
ISIN #: CA6632782083
CUSIP #: 663278208

Number of shares issued and outstanding at January 31, 2021: 48,613,319

Auditors
PricewaterhouseCoopers LLP

Five Year Compound Annual Growth (%)



Corporate Governance

Complete disclosure of The North West Company Inc's. corporate governance is provided in the Company's Management Information Circular, which is available on the Canadian Securities Administrators' website at *www.sedar.com* or in the investor section of the Company's website at www.northwest.ca.

EXECUTIVES

Edward S. Kennedy
President & Chief Executive Officer

Daniel G. McConnell
President, International Retail

Alex S. Yeo
President, Canadian Retail

John D. King
Executive Vice President &
Chief Financial Officer

Gary Merasty
Executive Vice-President &
Chief Development Officer

Kyle A. Hill
Executive Vice-President, Procurement &
Marketing, Alaska Commercial Company

Cole J.A. Akerstream
Vice-President, Corporate Development

Michael T. Beaulieu
Vice-President, Canadian Store Operations

Steven J. Boily
Vice-President, Information Services

David M. Chatyrbok
Vice-President, Canadian Procurement &
Marketing

EXECUTIVES

Leanne G. Flewitt
Vice-President, Logistics, Supply Chain
& Distribution (Canadian Operations)

Matt D. Johnson
Vice-President, Cost-U-Less Procurement &
Marketing

Laurie J. Kaminsky
Vice-President, NWC Health Products &
Services

Frank W. Kelner
Chairman & Chief Executive Officer,
North Star Air Ltd.

Thomas J. Meilleur
Vice-President, North Star Air Ltd.

Walter E. Pickett
Vice-President & General Manager,
Alaska Commercial Company

Kevin T. Sie
Vice-President, Finance

Jeffrey B. Stout
President & Chief Operating Officer,
North Star Air Ltd.

Amanda E. Sutton
Vice-President, Legal & Corporate Secretary

James W. Walker
Vice-President & General Manager,
Wholesale Operations (International
Operations)

BOARD OF DIRECTORS

H. Sanford Riley, Chairman

Brock Bulbuck, CPA, CA [2,3]

Deepak Chopra, FCPA, FCGA [2,3]

Frank J. Coleman [2,3]

Wendy F. Evans [1,3]

Stewart Glendinning [1,2]

Edward S. Kennedy

Annalisa King [1,2]

Violet A. M. Konkle [1,3]

Jennefer Nepinak [2,3]

Eric L. Stefanson, FCPA, FCA [1,2]

Victor Tootoo, CPA, CGA [1,2]

BOARD COMMITTEES

1 Governance and Nominating
2 Audit
3 Human Resources, Compensation and Pension

For additional copies of this report or for general information about the Company, contact the Corporate Secretary:

The North West Company Inc.
Gibraltar House, 77 Main Street
Winnipeg, Manitoba Canada R3C 2R1
T 204 934 1756 F 204 934 1317
board@northwest.ca
Company Website: *www.northwest.ca*

THE NORTH WEST COMPANY

Nor'Westers are associated with the vision, perseverance, and enterprising spirit of the original North West Company and Canada's early fur trade. We trace our roots to 1668, and the establishment of one of North America's early trading posts at Waskaganish on James Bay. Today, we continue to embrace this pioneering culture as true "frontier merchants."

The North West Company Inc.
Gibraltar House, 77 Main Street
Winnipeg, Manitoba Canada R3C 2R1
T 204 934 1756 F 204 934 1317
Toll -free 1 800 563 0002
investorrelations@northwest.ca
www.northwest.ca