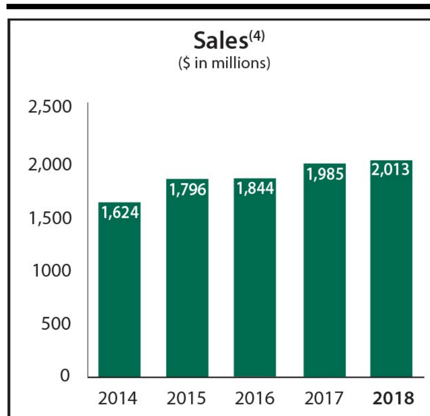
THE NORTH WEST COMPANY INC. 2018

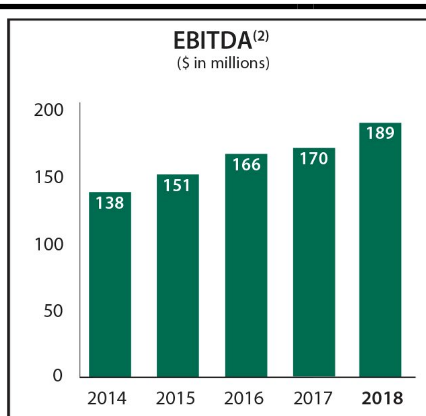
Annual Report

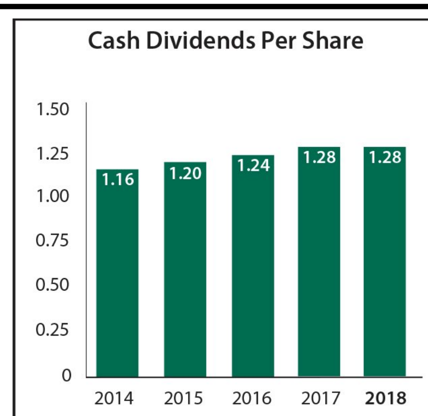
Financial Highlights

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

($ in thousands, except per share information)		**Year Ended January 31, 2019**		Year Ended January 31, 2018[4]		Year Ended January 31, 2017[4]
RESULTS FOR THE YEAR						
Sales	**$**	**2,013,486**	$	1,985,122	$	1,844,093
Same store sales % increase [1]		**2.0%**		1.2%		1.3%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2]	**$**	**189,343**	$	169,624	$	166,498
Earnings from operations (EBIT)		**129,808**		113,971		118,131
Net earnings		**90,632**		69,691		77,076
Net earnings attributable to The North West Company Inc.		**86,748**		67,154		77,076
Cash flow from operating activities [3]		**127,120**		141,419		126,024
FINANCIAL POSITION						
Total assets	**$**	**1,022,921**	$	930,948	$	805,821
Total debt		**366,757**		313,549		229,266
Total equity		**421,104**		382,156		367,785
FINANCIAL RATIOS						
Debt-to-equity		**.87:1**		.82:1		.62:1
Return on net assets (RONA) [2]		**17.0%**		16.7%		20.1%
Return on average equity (ROE) [2]		**22.6%**		18.3%		21.8%
Sales blend: Food		**74.7%**		76.7%		78.5%
General Merchandise and other		**25.3%**		23.3%		21.5%
PER SHARE ($) - DILUTED						
EBITDA [2]	**$**	**3.85**	$	3.44	$	3.40
Net earnings		**1.77**		1.36		1.57
Cash flow from operating activities		**2.59**		2.87		2.57
Market price: January 31		**31.17**		29.14		29.28
high		**32.19**		33.75		33.15
low		**26.50**		28.45		24.08







(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.
(4) Sales have been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. 2016 has not been restated for IFRS 15.

THE NORTH WEST COMPANY INC. 2018

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 2018 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, 2019 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 10, 2019 and the information contained in this MD&A is current to April 10, 2019, 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, and possible future action by the Company.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete 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

2018 was a year of building on success and adapting to unexpected challenges and opportunities. We accomplished this while transitioning to a new business structure and new leadership roles that set us up to deliver higher returns within each of our store banners and regions. We were focused on the right mix of short, medium and long-range work, to a greater degree than previously, and this put us in a good position to drive the consistent, sustainable performance that we are known for.

Getting sales was a key accomplishment last year, with same store sales accelerating throughout the year to finish up 4.0% in the fourth quarter and up 2.0% for the year compared to 1.3% in the prior two years. This was achieved despite weakness in our Giant Tiger business, which represents approximately 15% of our total revenues.

In 2019 we will keep up our sales pace through a combination of favourable consumer spending power and our focus on sales readiness, Top Markets and Top Categories. In our remote markets, government spending, natural resource development, higher-end tourism and even post-hurricane reconstruction are unique income drivers. They enable us to focus on growth when urban retail is facing headwinds like high consumer debt levels and overbuilt bricks and mortar, as they are now.

On the sales readiness side, two important initiatives from last year are enabling us to go after sales with more conviction. The first is the creation of more decentralized structures for our Alaskan, Caribbean and northern Canada businesses led by separate Presidents for International and Canadian Retail. The purpose is to put people with the highest possible level of authority and accountability as close as possible to our customers. The success of our British Virgin Island business demonstrates this as have many other individual store and region situations in the past.

The second trigger for sales readiness is what we call Pure Retail. This work starts with a mindset of innovation aimed at leaning out our work everywhere, but especially the day-to-day non selling tasks in our stores. From a standing start in late 2017 our team embraced this project, freeing up almost 300,000 hours that can be shifted to activities like staying in-stock and merchandising for sales.

Top Categories is another get sales pillar and is a good indicator of how well we learn and adapt. The clear winners that we've doubled down on are at two ends of the purchase spectrum: new stand-alone convenience stores and store-within-store, and big ticket, comprised of furniture, appliances and motorized. Both speak to the breadth of our store and logistics network advantage, as a reliable everyday needs provider and as a source for hard to ship-and-finance consumer goods. Besides more growth from these categories in 2019 the focus is now on banner-specific opportunities like fresh food at Cost-U-Less, fashion at Giant Tiger and basic general merchandise in our northern banners.

Top Markets is in the medium range now, with another 3-5 years of investment within our most important markets. Like 2017, our Top Market priority list was impacted by damage to facilities, in this case, fires at two of our largest northern Canada stores: Happy Valley and Iqaluit. We've adapted in stride to these events and planning is advanced for accelerated long-term investment in both locations which will be largely financed by insurance proceeds. Overall, Top Markets investment is foundational, sustaining work that also contributes an immediate sales and market share capture.

Giant Tiger results again fell short in 2018 with only modest improvement throughout the year. This is a business that we are carefully investing in to avoid urban market over-competition and to leverage more of our strength in rural communities where we have confidence in Giant Tiger's distinct consumer appeal. We are also spending more time on our relationship with our Master Franchisee, Giant Tiger Stores Limited to ensure that the full potential of our stores is being achieved.

Our most challenging business in 2018 was North Star Air ("NSA"), the airline that we acquired in mid-2017. NSA's rapid growth in 2018 was planned and actually exceeded our revenue targets, made up of new business carrying North West store freight. The issues we faced stemmed from poor decisions, in hindsight, on third party maintenance utilization. This created a domino effect of excessive aircraft downtime, heavy utilization of more expensive contract carriers and unplanned ramp-up costs to create an in-house maintenance capability. By year-end we had stabilized our cost situation but not in time to prevent the hit to our overall bottom line growth and return on assets.

The important messages on NSA are that it is completely on-strategy and that the execution fixes are very doable. We are persistent on seeing a significant financial turnaround from NSA this year. We are also patient, recognizing that there is a longer-term capability at play and that we are still in the early stages of becoming a leading, fully-integrated sourcing, logistics and local fulfillment service to remote markets.

An important new reporting framework for North West this year is Environment, Social and Governance or "ESG". For many years each component of ESG has been integral to the net social benefit that we aspire to deliver. What is new is the organization and disclosure level, which will feature a roadmap on where we are and where we expect to go within each ESG area. One of our key new ESG initiatives is in Community Engagement and a commitment to closer collaborative relationships with the Indigenous peoples that we are privileged to serve and work with around the world. I look forward to sharing more specifics later this fiscal year.

At North West we serve great markets matched with our own enterprising energy, solid ideas and strategies that will make an impact, now and longer term. I want to acknowledge our people wherever they work and the valued role they play in getting this right work done in 2019 and beyond.

Edward S. Kennedy
President & CEO
April 10, 2019

Chairman's Message

On behalf of the Board of The North West Company I'm pleased to report on our work over the past year, as well as our perspectives on a number of important issues that we will be facing in the years ahead.

2018 was a year of consolidation for the Company as we digested several significant acquisitions, recovered from the effects of the major hurricanes in 2017 which destroyed or severely damaged our stores in a number of Caribbean markets, and made significant operational improvements to our core Canadian businesses. As Edward Kennedy comments elsewhere in this report, the work wasn't easy, and not without its challenges, but we remain confident that it will generate long-term performance enhancement for the Company.

An important task at the board level was to shepherd management's work on the development of a Sustainability Roadmap for the Company, which can be found on the company's website *www.northwest.ca*. While we at North West face a number of the same types of social, environmental, technological, and cultural issues that all enterprises do in this day and age, the specific nature and impact of our issues are quite unique. Let me offer several examples.

First, we are proud to serve and operate in many Indigenous communities which demonstrate extraordinary resiliency and pride. We are proud to be a partner in a journey towards continually improving social and economic outcomes. The prosperity of these communities is critical to future generations within the communities and the future of our Company and Canada.

We have been doing business in some of these communities, like Waskaganish on the shores of James Bay, for over 350 years and have seen our relationship with them evolve significantly over those years.

But today, in the context of the righting of historical wrongs through processes like Truth and Reconciliation, we are required to play an even more active role in helping our communities to improve economically and socially. Our commitment to doing that needs to be explicit and detailed, and we expect to be accountable to our customers for living up to our promises.

Second, the communities we serve in both the north and the Caribbean have been impacted by weather conditions which are undoubtedly connected to climate change. The increase in hurricanes in the Caribbean, and the melting of permafrost and sea ice in the north, are having an impact on the lives of our customers in these regions and, as a result, on our businesses. Our customers expect us to play a more significant role to build awareness of these issues, and to promote, and engage in, programs which address them, but in ways which respect the particular challenges faced by virtue of their remoteness, small populations and low incomes. For example, when you operate in communities without practical access to greener energy you think twice about the appropriateness of imposing a carbon tax.

The Sustainability Roadmap is our first step in what we see as a renewed journey of partnership and reconciliation with the communities we serve. In addition to setting expectations and targets, we believe this approach will help measure our progress as we work collaboratively to find further ways to improve our relationships and to help address the issues of Sustainability that are most important to all of our stakeholders.

Much of this work is being led by our new Executive Vice President, Gary Merasty, who left our Board to join the ranks of senior management in North West last spring. In addition to Gary, we are very pleased with the other significant changes to the structure and composition of our senior management team that were accomplished last year. In the fall , we were delighted to welcome Alex Yeo to North West as President, Canadian Retail and to see the focus which Dan McConnell has brought to his is new role as President of our International Retail group. With other key additions, we are actively building depth in our senior ranks and ensuring a pool of talented leaders as we plan for succession and growth.

Last year we also continued the process of transforming the membership and leadership of our Board, recognizing the planned departure of four members over the next three years. We are delighted to welcome Jennifer Nepinak as our newest member. Jennifer is Senior Advisor for the Canadian Museum for Human Rights and will become Vice President of Indigenous Engagement at the University of Winnipeg on August 1st and, in those roles, works extensively with indigenous groups across the country. At the leadership level, Bob Kennedy who will be the first of our long standing directors to retire, has stepped down as Chair of the Human Resources and Compensation Committee with Vi Konkle stepping into this role. This transition approach is planned for the Governance and Audit Committees, currently chaired by Wendy Evans and Eric Stefanson, respectively.

A final important piece of work for the Board last year was to clearly define our strategic role and to schedule more time for strategy engagement and review with management. Beginning in the Third Quarter last year, we now start each board session with an in-depth strategy agenda and beginning in the First Quarter of this year we will reallocate more in-person meeting time from committees to business reviews and director education.

I would like to close these remarks by again thanking all Nor'Westers for their dedication and commitment to their communities and to the success of the Company. Your efforts are an inspiration to all of us on the Board who see how much you value your work and the contribution you make, day in and day out. Thank you.

H. Sanford Riley
Chairman, Board of Directors
April 10, 2019

Management's Discussion & Analysis

OUR BUSINESS TODAY

The North West Company is a leading retailer to rural and remote communities and urban neighbourhoods in the following regions: northern Canada, western Canada, rural Alaska, the South Pacific and the Caribbean. Our stores offer a broad range of products and services with an emphasis on food. Our value offer is to be 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 remote or difficult-to-reach 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.

Today these northern stores 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 has come from market share expansion 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, opening Giant Tiger junior discount stores in rural communities and urban neighbourhoods in western Canada, 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 capture unique community-by-community selling opportunities better than our competition. Flexible store development models, store management selection and education, store-level merchandise ordering, community relations and enterprising incentive plans are all ingredients of the model we have built to sustain this leading market position. We believe that our enterprising culture, continued, efficient enhancement of our execution skills in general, and our logistics and selling skills specifically, are 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

- **117 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;
- **22 Quickstop** convenience stores, offering extended hours, ready-to-eat foods, fuel and related services in northern Canadian markets;
- **44 Giant Tiger ("GT")** junior discount stores, offering family fashion, household products and food to urban neighbourhoods and larger rural centers in western Canada;
- **1 Valu Lots** discount center and direct-to-customer food distribution outlet 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 North West Company Fur Marketing** outlet, trading in furs and offering Indigenous handicrafts and authentic Canadian heritage products;
- **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;
- **11 Cost-U-Less ("CUL")** mid-sized warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean;
- **1 Cost-U-Less Express** neighborhood food store in Guam, offering convenience with an emphasis on fresh and prepared foods, grocery and larger pack size food products; and
- **7 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 hard-to-access and less developed markets. Our vision is to help people live better in these communities 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 more innovative, reliable, convenient, locally adaptable, welcoming and by having the lowest local price, enabled by lean, innovative processes. 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 local 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 local market 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 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's strategies are developed in multi-year cycles and are reviewed and adjusted as required at the senior management and board levels. The current focus is on the following areas:

- ensuring the way we work is "Pure Retail", with top store teams, lean processes, and customer driven store-centric support from the rest of our organization;
- prioritizing investment in the Company's "Top Markets", our largest and highest sales and profit potential locations, so that sustaining capital is better balanced with new products and services while allocating more selling space to "Top Categories" which offer the highest everyday convenience and service value to our customers;
- 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 remote retailing business; and
- identifying complimentary growth opportunities.

Our key priorities are detailed below together with the results for 2018:

Initiative #1
Pure Retail
"Pure Retail" refers to top store teams, lean processes, and customer-driven, store centric support throughout our organization. The goal is to optimize store sales and net performance by creating more ability and freeing more time to get sales at store level.

Result
Eliminated 297,000 hours in low-value work compared to a target of 250,000 on an annualized basis. The hours saved were reinvested in getting sales through merchandising and execution at store level which contributed to a 2.0% increase in same store sales led by a 3.2% sales gain in general merchandise and a 1.7% increase in same store food sales. Sales gains as noted under the Top Markets and Top Categories initiative below were also a key contributor to the sales growth. Top Store teams work did not achieve its key role retention targets and this will be a priority focus in 2019.

Initiative #2
Investing in Top Markets and Top Categories
This initiative prioritizes our largest and highest potential categories and store locations.

Result
Seven convenience stores and a pharmacy were opened in northern Canada. Four Top Market store replacements and remodels were completed as planned for a total of 23 projects completed under this initiative. Overall, Top Markets have met financial projections and have delivered above average sales growth. Top Market investments are expected to continue to roll-out at a pace of 3-5 stores per year over 2019-2021, with continuous learnings from prior investments.

Top Categories sales, which include convenience and fresh food, big-ticket, and health products and services, were up 4.1% compared to last year. Convenience food was the largest dollar growth contributor with an increase of 4.7% followed by big-ticket motorized and home furnishings sales which were up 10.7% compared to last year.

Initiative #3
Building a Superior Logistics Capability
Recognizing the unique importance of logistics to our business, we continue to invest in building a superior capability in this area, with a focus on providing faster, more reliable and lower cost transportation service to our stores and customers in remote markets.

Result
North Star Air exceeded revenue targets but operating margin performance was $6.0 million below target mainly due to excessive aircraft downtime resulting from delays by third-party maintenance providers, higher than planned use of back-up leased aircraft and unplanned ramp-up costs related to building an in-house aircraft maintenance capability.

Initiative #4

Next Generation Merchandise and Store Systems ("Project Enterprise")

Project Enterprise is focused on implementing new, 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 margin management, inventory management and store staff productivity, all aligned with the Company's "Top" strategies.

Result

The development of custom financial services functionality was completed and POS was piloted in 5 stores in northern Canada. The POS roll-out is expected to be completed in Alaska stores in the fourth quarter of 2019 and approximately 40% of northern Canada stores by the end of the year with the remainder completed in 2020. The pricing component of the MMS was implemented in Canadian Operations in February 2018 and the category and supplier management components are expected to be implemented in the third quarter of 2019. The implementation of MMS in International Operations is planned for 2020.

Initiative #5

Identifying Complimentary Growth Opportunities

This initiative is focused on identifying and evaluating opportunities in complimentary businesses which leverage our core capabilities and market presence.

Result

This work was slowed in 2018 to enable other priority initiatives but will continue into 2019.

KEY PERFORMANCE DRIVERS AND CAPABILITIES REQUIRED TO DELIVER RESULTS

The ability to protect and enhance the performance of our "Top" Markets and Categories: Our Top Markets and Categories offer the highest potential for market share growth, improved productivity and customer satisfaction. We believe that the effective execution of our Top strategy will deliver higher and more consistent returns and will lead to new growth ideas that can be applied across all stores.

The financial capability to sustain the competitiveness of our core strengths and to pursue growth: Our investment priorities center on next level technology, superior logistics, Top Categories and Top Markets while applying higher payback learnings in areas such as energy-efficiency and technology to all stores. Non-capital expenditures are centered on Pure Retail improvements to our in-store capabilities through improved store structures, processes, compensation, recruiting and training.

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

Our ability to build and maintain supportive community relations: Our ongoing community presence depends on being a trusted, open, respectful, adaptable and a socially helpful organization. Obtaining or renewing store leases and business licenses is often subject to community approval and depends on our track record of solid store operations, our positive community relations 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: Enhancing store execution and capability as part of our Pure Retail strategies recognizes the important role of executable work processes that drive sales and enable our managers and other key store-level personnel to actively manage the other key facets of their store. This enables a store's full potential to realize local selling opportunities, meet our customer service commitments and build and maintain positive community relationships. It also recognizes that our store roles must be great jobs that offset remoteness, employment competition from other local sectors and other market conditions that create challenges in attracting and retaining the best people. Related to this is our on-going ability to hire locally and assist local associates to reach their full potential.

Our ability to deliver merchandise and information through our store network: The integration and build-out of our air cargo capability in northern Canada is aimed at creating an advantage for us and our customers in delivering and receiving products faster, cheaper and more reliably than other alternatives. Our success on this initiative and others related to logistics and information services enables us to create a truly superior network.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to sell merchandise: A key goal of our Pure Retail initiative is to shift more staff time and skill towards selling merchandise tailored to the unique markets we serve, while reducing costs in the non-selling facets of store work. Pure Retail is expected to continue to "free" hours of lower value store time through process change and through technology tools like our new WFM and POS systems.

Consolidated Results

2018 Highlights

- Sales increased to $2.013 billion, our 19th consecutive year of top line growth.
- Same store sales[1] increased 2.0% driven by both food and general merchandise sales gains.
- EBITDA[2] increased 11.6%.
- Total returns to shareholders were 11.7% for the year and were 8.9% on a compound annual basis over the past five years.
- Seven Quickstop convenience stores, three Giant Tiger stores and one pharmacy were opened in Canadian Operations.
- Two RTW stores and one CUL store damaged by hurricane Irma in September 2017 were fully re-opened in International Operations.

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)	2018	2017[4]	2016[4]
Sales	**$ 2,013,486**	$ 1,985,122	$ 1,844,093
Same store sales % increase[1]	**2.0%**	1.2%	1.3%
EBITDA[2]	**$ 189,343**	$ 169,624	$ 166,498
EBIT	**$ 129,908**	$ 113,971	$ 118,131
Net earnings	**$ 90,632**	$ 69,691	$ 77,076
Net earnings attributable to shareholders of the Company	**$ 86,748**	$ 67,154	$ 77,076
Net earnings per share - diluted	**$ 1.77**	$ 1.36	$ 1.57
Cash flow from operating activities[3]	**$ 127,120**	$ 141,419	$ 126,024
Cash dividends per share	**$ 1.28**	$ 1.28	$ 1.24
Total assets	**$ 1,022,921**	$ 930,948	$ 805,821
Total long-term liabilities	**$ 424,936**	$ 377,580	$ 285,792
Return on net assets[2]	**17.0%**	16.7%	20.1%
Return on average equity[2]	**22.6%**	18.3%	21.8%

(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.
(4) 2017 sales have been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. 2016 has not been restated for IFRS 15.

Consolidated Sales Sales for the year ended January 31, 2019 ("2018") increased 1.4% to $2.013 billion compared to $1.985 billion for the year ended January 31, 2018 ("2017"), and were up 9.2% compared to $1.844 billion for the year ended January 31, 2017 ("2016"). The increase in sales compared to 2017 was driven by same store sales gains, a full year of NSA operations, and the impact of new stores in Canadian Operations. These factors were partially offset by store closures in Canadian and International Operations. Further information on the store closures is provided under Canadian and International Operations on page 10 and 12 respectively. Excluding the foreign exchange impact, sales increased 1.5% from 2017 and were up 9.8% from 2016. The increase in sales compared to 2016 is due to the factors previously noted, the acquisition of RTW and the adoption of IFRS 15. This increase is not comparable as 2016 was not restated for the adoption of IFRS 15. On a same store basis, sales increased 2.0% compared to increases of 1.2% in 2017 and 1.3% in 2016.

Food sales decreased 1.1% from 2017, and were down 1.2% excluding the foreign exchange impact as same store sales gains were more than offset by the impact of closed stores. Same store food sales increased 1.7% over last year. Quarterly same store sales improved throughout the year with a decrease of 0.3% in the first quarter and increases of 0.3%, 2.2% and 4.6% in the last three quarters. Canadian food sales increased 0.4% and International food sales decreased 3.7% excluding the foreign exchange impact.

General merchandise sales increased 5.0% compared to 2017 and were up 4.9% excluding the foreign exchange impact with both Canadian and International Operations contributing to the sales gains. Same store general merchandise sales increased 3.2% for the year with a decrease of 0.4% in the first quarter and increases of 4.2%, 6.8% and 2.0% in the last three quarters. Canadian general merchandise sales increased 5.5% led by same store sales growth in northern markets and the impact of new stores in rural and urban markets. International general merchandise sales increased 2.6% excluding the foreign exchange impact led by sales gains in Alaskan markets.

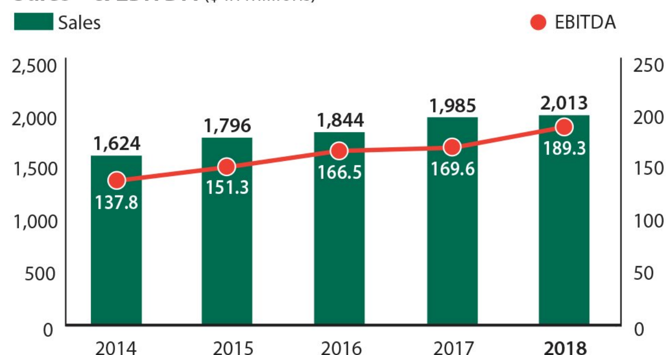
Other sales, which include airline revenue, financial services, fuel and pharmacy, increased 19.8% compared to 2017 mainly due to sales growth in NSA and higher fuel sales. Other sales increased 141.3% compared to 2016 substantially due to the NSA acquisition and the reclassification of financial services revenue related to the implementation of IFRS 15 as described in Accounting Standards Implemented in 2018. This increase in sales is not comparable as 2016 was not restated for IFRS 15.

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

	2018	2017[1]	2016[1]
Food	**74.7%**	76.7%	78.5%
General merchandise and other	**25.3%**	23.3%	21.5%

(1) 2017 sales blend has been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. 2016 has not been restated for IFRS 15.

Canadian Operations accounted for 61.9% of total sales (60.4% in 2017 and 61.0% in 2016) while International Operations contributed 38.1% (39.6% in 2017 and 39.0% in 2016).



(1) 2017 sales have been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. 2014 to 2016 have not been restated.

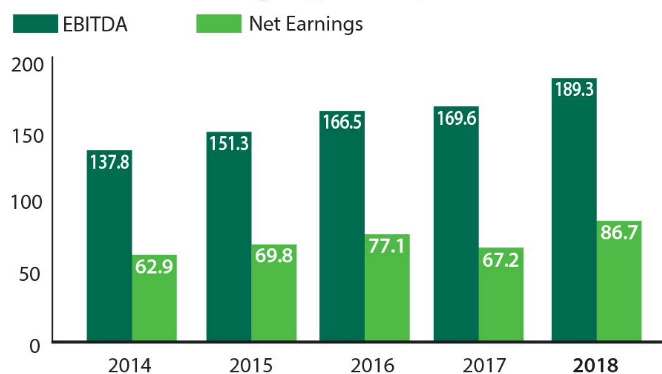
Gross Profit Gross profit increased 2.5% to $640.5 million compared to $624.7 million last year due to sales growth and a 34 basis point increase in the gross profit rate. The gross profit rate increased to 31.8% from 31.5% last year largely due to product sales blend changes partially offset by higher general merchandise inventory shrink in Canadian Operations.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") of $510.6 million were flat to last year and were down 37 basis points as a percentage of sales. The impact of a full-year of NSA expenses, new stores, higher share-based compensation costs and an increase in amortization expense mainly related to capital investments in Top Markets and facilities and equipment in NSA were offset by a $17.0 million hurricane related insurance gain, the impact of store closures and one-time acquisition related costs of $6.3 million last year largely related to stamp duties paid to the Government of the British Virgin Islands.

Earnings from Operations (EBIT) Earnings from operations or earnings before interest and income taxes ("EBIT") increased 14.0% to $129.9 million compared to $114.0 million last year due to the gross profit and expense factors previously noted. Earnings before interest, income taxes, depreciation and amortization ("EBITDA[2]") increased 11.6% to $189.3 million compared to $169.6 million last year. Excluding the impact of the insurance gain, one-time acquisition related costs and share-based compensation option expense, adjusted EBITDA[2] decreased 1.1% compared to last year and as a percentage to sales was 8.8% compared to 9.0% last year.

Interest Expense Interest expense increased 37.7% to $14.0 million compared to $10.1 million last year. The increase in interest expense is due to higher average debt levels and higher average cost of borrowing compared to last year. Average debt levels increased 20.1% compared to last year mainly due to the acquisition of NSA in the second quarter last year and capital asset investments. The average cost of borrowing was 3.7% compared to 3.1% last year. Further information on interest expense is provided in Note 18 to the consolidated financial statements.

Income Tax Expense The provision for income taxes decreased 25.9% to $25.3 million compared to $34.1 million last year and the effective tax rate for the year was 21.8% compared to 32.9% last year. The decrease in income tax expense is primarily due to the impact of U.S. tax reform related to a reduction in the U.S. federal corporate tax rate from 35.0% to 21.0% effective January 1, 2018 and $5.8 million in transition tax and a decrease in deferred tax assets last year. Changes in earnings of the Company's subsidiaries across various tax jurisdictions were also a factor. Further information on income tax expense, the effective tax rate, the impact of U.S. tax reform and deferred tax assets and liabilities is provided in Note 9 to the consolidated financial statements.



(1) Net earnings attributable to shareholders of the Company

Net Earnings Consolidated net earnings increased 30.0% to $90.6 million compared to $69.7 million last year. Net earnings attributable to shareholders of the Company were $86.7 million compared to $67.2 million last year and diluted earnings per share were $1.77 per share compared to $1.36 per share last year due to the factors previously noted. Excluding the impact of the insurance gain, acquisition expenses, share-based compensation option expense and the one-time U.S. tax reform expense, adjusted net earnings[2] decreased $2.9 million or 3.5% largely due to the impact of the hurricane-related store closures. Additional information on the financial performance of Canadian Operations and International Operations is included on page 10 and page 12 respectively. In 2018, the average exchange rate used to translate International Operations sales and expenses was 1.3041 compared to 1.2930 last year and 1.3169 in 2016.

The Canadian dollar's appreciation versus the U.S. dollar compared to 2017 had the following net impact on the 2018 results:

Sales........increase of $6.5 million or 0.9%
Earnings from operations........increase of $0.5 million
Net earnings........increase of $0.4 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)	**2018**	2017	2016
Total assets	**$1,022,921**	$ 930,948	$ 805,821

Consolidated assets increased $92.0 million or 9.9% compared to 2017 and were up $217.1 million or 26.9% compared to 2016. The increase in consolidated assets compared to last year is due to a $45.0 million increase in property and equipment and an increase in current assets. The increase in property and equipment compared to 2017 is related to capital expenditures on new stores, major store renovations, equipment replacements and staff housing renovations as part of our Top Markets initiative. The reconstruction of stores damaged by hurricanes in 2017 and the completion of hangar and distribution facilities to support NSA in providing cargo service to more of the Company's stores in northern Canada were also factors. Information on the increase in current assets is provided in the working capital table below. The impact of foreign exchange was also a factor, particularly compared to 2017, as the year-end exchange rate used to translate International Operations assets increased to 1.3137 compared to 1.2301 last year and 1.3030 in 2016.

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

($ in thousands)	**2018**	2017	2016
Current assets	**$ 376,829**	$ 335,003	$ 327,938
Current liabilities	**$ (176,881)**	$ (171,212)	$ (152,244)
Working capital	**$ 199,948**	$ 163,791	$ 175,694

Working capital increased $36.2 million or 22.1% to $199.9 million compared to 2017 and increased $24.3 million or 13.8% compared to 2016. Current assets increased $41.8 million or 12.5% compared to last year and were up $48.9 million or 14.9% compared to 2016. The increase in current assets compared to 2017 is primarily due to higher cash, accounts receivable and inventories partially related to the impact of new stores. Current liabilities increased $5.7 million or 3.3% compared to last year and were up $24.6 million or 16.2% compared to 2016 mainly due to higher trade accounts payable. The impact of foreign exchange on the translation of International Operations working capital was also a factor. Further information on working capital for the

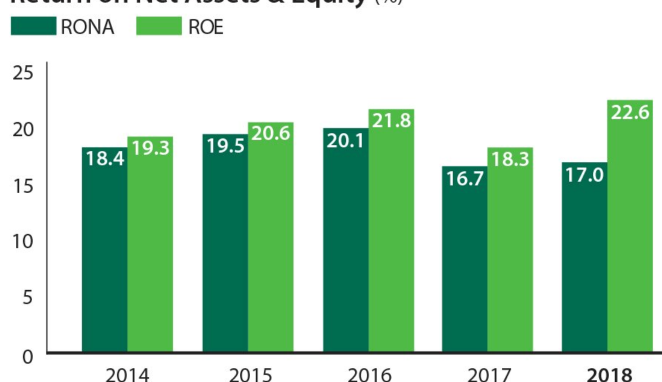
Canadian Operations and International Operations is on page 11 and page 14 respectively.

The increase in total assets compared to 2016 is due to the factors previously noted and the impact of the RTW and NSA acquisitions in 2017 including additional investments in aircraft and hangar facilities. These acquisitions and related investments resulted in an increase of $125.1 million in total assets in 2017 compared to 2016. Further information on the assets acquired is provided in Note 24 to the consolidated financial statements.

Return on net assets employed increased to 17.0% compared to 16.7% in 2017 as the 14.0% increase in EBIT was partially offset by an increase in net assets employed. Additional information on net assets employed for the Canadian Operations and International Operations is on page 11 and page 14 respectively.

Return on average equity increased to 22.6% compared to 18.3% in 2017 due to a 30.0% 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 & Equity (%)



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

($ in thousands)	**2018**	2017	2016
Total long-term liabilities	**$ 424,936**	$ 377,580	$ 285,792

Consolidated long-term liabilities increased $47.4 million or 12.5% to $424.9 million compared to 2017 and were up $139.1 million or 48.7% from 2016. The increase in long-term liabilities compared to 2017 and 2016 is substantially due to an increase in long-term debt largely related to investments in property and equipment and the RTW and NSA acquisitions as previously noted under the total assets section. The impact of foreign exchange rates on the translation of U.S. denominated debt was also a factor. Further information on long-term debt is included in the Sources of Liquidity and Capital Structure sections on page 16 and page 17 respectively and in Note 11 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)	**2018**	2017[(2)]	2016[(2)]
Sales	**$ 1,246,133**	$ 1,199,473	$ 1,125,330
Same store sales % increase	**0.9%**	0.9%	1.7%
EBITDA [(1)]	**$ 114,215**	$ 112,393	$ 109,736
EBIT	**$ 70,099**	$ 72,597	$ 74,445
Return on net assets [(1)]	**14.0%**	17.2%	20.7%

(1) See Non-GAAP Financial Measures section.
(2) 2017 sales have been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. 2016 has not been restated for IFRS 15.

Sales Canadian Operations sales increased $46.7 million or 3.9% to $1.246 billion compared to $1.199 billion in 2017 and were up $120.8 million or 10.7% compared to 2016 due to the acquisition of NSA, the impact of new stores and same store sales growth. These sales gains were partially offset by stores closed during the year. Further information on store closures is provided under investing activities in the Consolidated Liquidity and Capital Resources section. Same store sales increased 0.9% which is flat to 2017 but down from 1.7% in 2016. Food sales accounted for 66.3% (68.5% in 2017) of total Canadian Operations sales. The balance was made up of general merchandise and other sales at 33.7% (31.5% in 2017). Other sales consist primarily of airline revenue, financial services revenue, fuel and pharmacy.

Food sales increased by 0.4% from 2017 and were up 0.9% compared to 2016. This increase in sales compared to 2017 was due to same store sales gains in northern markets and the impact of new stores. These gains were offset by lower sales in southern markets due in part to price discounting and the impact of store closures in northern markets. Same store food sales increased 0.4% compared to 0.8% in 2017. On a quarterly basis, same store food sales decreased 0.7% and 0.4% in the first and second quarters respectively and increased 1.1% and 1.5% in the third and fourth quarters respectively. Food inflation in northern markets related to supplier cost increases and higher freight costs was partially offset by price discounting in southern markets.

General merchandise sales increased 5.5% from 2017 and were up 4.7% compared to 2016 led by same store sales growth in northern Canada and the impact of new stores. Same store sales increased 2.7% compared to a 1.2% increase in 2017. On a quarterly basis, same store general merchandise sales decreased 0.7% in the first quarter with increases of 3.7%, 5.6% and 1.9% in the second, third and fourth quarters respectively.

Other sales increased 21.5% from 2017 mainly due to a full-year of NSA operations and higher fuel sales. Other sales increased 149.4% compared to 2016 primarily due to the acquisition of NSA and the reclassification of financial services revenue related to the implementation of IFRS 15 as described in Accounting Standards Implemented in 2018. This increase in sales is not comparable as 2016 was not restated for IFRS 15.

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

	2018	2017(1)	2016(1)
Food	**66.3%**	68.5%	72.7%
General merchandise and other	**33.7%**	31.5%	27.3%

(1) Sales blend for 2017 has been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. 2016 has not been restated for IFRS 15.

Same Store Sales Canadian Operations same store sales for the past three years are shown in the following table. Food sales are impacted by changes in commodity costs, transportation costs and promotional pricing. In 2017 and 2018, same store sales gains in northern Canada stores were partially offset by lower sales in southern and less remote markets mainly due to price discounting.

Same Store Sales

(% change)	2018	2017	2016
Food	**0.4%**	0.8%	2.0%
General merchandise	**2.7%**	1.2%	0.6%
Total sales	**0.9%**	0.9%	1.7%

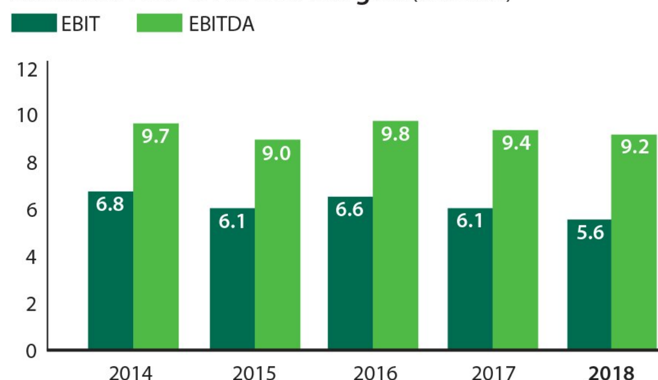
Gross Profit Gross profit dollars increased by 4.0% driven by sales growth and a modest increase in the gross profit rate. The increase in gross profit rate was mainly due to changes in product sales blend partially offset by higher inventory shrinkage and markdowns in general merchandise.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 5.7% from 2017 and were up 48 basis points as a percentage of sales. The increase in Expenses is primarily due to the impact of a full-year of NSA expenses, new stores, higher share-based compensation costs and an increase in amortization expense mainly related to capital investments in NSA. Amortization related to intangible assets and capital investments in Top Markets were also a factor. Further information on property and equipment, intangible assets and share-based compensation costs is provided in Note 7, Note 8 and Note 13 respectively to the consolidated financial statements.

NSA was impacted by an increase in third party maintenance costs and unexpected reliance on higher cost third party aircraft resulting from extended downtime of one of our ATR aircraft due to maintenance delays. An investment in higher employee costs to establish an in-house aircraft maintenance capability was also a factor. This investment is expected to help reduce third party delays and maintenance costs in the future.

Earnings from Operations (EBIT) Earnings from operations decreased $2.5 million or 3.4% to $70.1 million compared to $72.6 million in 2017 as the positive impact of higher sales and gross profit were more than offset by higher Expenses as previously noted. Earnings from operations as a percentage of sales was 5.6% compared to 6.1% last year. EBITDA(2) from Canadian Operations increased $1.8 million or 1.6% to $114.2 million and was 9.2% as a percentage of sales compared to 9.4% in 2017.

Canadian EBIT & EBITDA Margins (% of sales)



Net Assets Employed Net assets employed increased 13.1% to $513.8 million compared to $454.2 million last year, and were up 37.8% compared to $372.9 million in 2016 as summarized in the following table:

Net Assets Employed

($ in millions at the end of the fiscal year)	2018	2017	2016
Property and equipment	**$ 358.0**	$ 332.3	$ 247.1
Inventories	**145.8**	138.4	130.3
Accounts receivable	**73.3**	66.8	65.9
Other assets	**107.6**	96.8	82.8
Liabilities	**(170.9)**	(180.1)	(153.2)
Net assets employed	**$ 513.8**	$ 454.2	$ 372.9

Capital expenditures for the year included the opening of five pre-built modular design convenience stores that were transported to the Arctic by sealift, the acquisition of two convenience stores and a pharmacy, three new Giant Tiger stores, and Top Markets investments related to major store renovation projects, new equipment, staff housing improvements and refrigeration upgrades. The completion of hangar and distribution facilities to support NSA in providing cargo service to more of the Company's stores in northern Canada was also a factor.

Inventory increased $7.4 million compared to 2017 and was up $15.5 million compared to 2016 mainly due to new stores. A higher investment in inventory in stores serviced by sealift and winter road to take advantage of lower transportation costs was also a factor. Average inventory levels in 2018 increased $9.1 million or 6.6% compared to 2017 and were up $12.0 million or 9.0% compared to 2016. Inventory turnover was down slightly to 5.8 times compared to 6.0 times last year and 6.0 times in 2016.

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

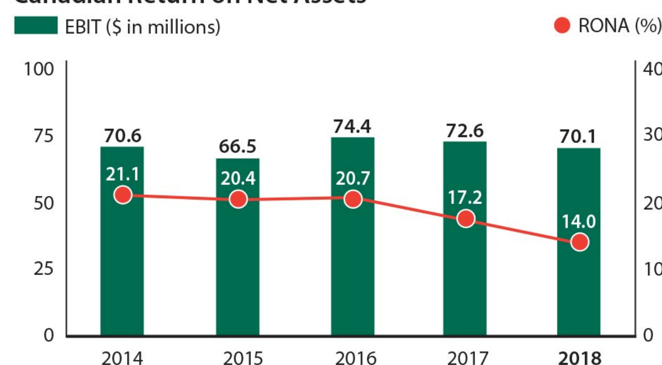
Accounts receivable increased $6.5 million or 9.7% to last year and were up $7.4 million or 11.2% compared to 2016 mainly due to higher customer and insurance claim-related accounts receivable. Average accounts receivable increased $2.3 million or 3.4% compared to 2017 and were up $5.0 million or 7.9% compared to 2016. The increase in average accounts receivable is due in part to higher motorized, electronics and home furnishings sales.

Other assets increased $10.8 million or 11.2% compared to last year and were up $24.8 million or 30.0% compared to 2016. This increase is due to higher cash to support financial services and the timing of deposits, an increase in intangible assets related to new point-of-sale, merchandise management and workforce management system software as part of Project Enterprise, and an increase in goodwill related to the acquisition of a pharmacy in 2018 and NSA in 2017. An increase in prepaid expenses primarily related to deposits and insurance was also a factor.

Liabilities decreased $9.2 million or 5.1% from 2017 but were up $17.7 million or 11.6% compared to 2016. The decrease is primarily due to a reduction in defined benefit plan obligation due mainly to a change in the discount rate and lower income taxes payable. Further information on the defined benefit plan obligation is provided in Note 12 to the consolidated financial statements. The increase in liabilities compared to 2016 is mainly due to the NSA acquisition and higher trade accounts payable related to the timing of payment cycles and accrued share-based compensation costs.

Further information on the assets and liabilities related to the acquisition of NSA is provided in Note 24 to the consolidated financial statements.

Return on Net Assets The return on net assets employed for Canadian Operations decreased to 14.0% from 17.2% in 2017 due to a 3.4% decrease in EBIT and an $80.6 million or 19.2% increase in average net assets compared to last year.



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)	2018	2017[2]	2016[2]
Sales	**$ 588,422**	$ 607,618	$ 545,799
Same store sales % increase	**4.2%**	1.8%	0.4%
EBITDA[1]	**$ 57,610**	$ 44,262	$ 43,049
EBIT	**$ 45,863**	$ 31,999	$ 33,173
Return on net assets [1]	**22.8%**	15.8%	19.2%

(1) See Non-GAAP Financial Measures section.

(2) Sales for 2017 have been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. 2016 has not been restated for IFRS 15.

Sales International sales decreased 3.2% to $588.4 million compared to $607.6 million in 2017, but were up $42.6 million or 7.8% compared to 2016. The decrease in sales compared to 2017 is due to the impact of store closures in the Caribbean due to the hurricanes that occurred in the third quarter of 2017 and the closure of a Cost-U-Less store in the first quarter of 2018 which more than offset same store sales growth and the positive impact of a reconstruction economy in the British Virgin Islands. The increase in sales compared to 2016 is due to the RTW acquisition and same store sales growth. Further information about the impact of the hurricanes is provided below. Same store sales increased 4.2% compared to 1.8% in 2017 and 0.4% in 2016. Food sales accounted for 88.5% (89.1% in 2017) of total sales with the balance comprised of general merchandise and other sales at 11.5% (10.9% in 2017). Other sales consist primarily of fuel and financial services revenue.

Food sales decreased 3.7% from 2017 but were up 9.0% compared to 2016. Same store food sales were up 4.0% compared to a 2.3% increase in 2017 with all banners contributing to the sales increase. Quarterly same store food sales increases were 0.4%, 1.6%, 4.1% and 9.9% in the fourth quarter. Sales in Alaska stores and certain Cost-U-Less markets were positively impacted by the early issuance of the February Supplemental Nutrition Assistance Program ("SNAP") benefit payments in January due to the U.S. Government shut-down.

General merchandise sales increased 2.6% from 2017 but were down 4.1% from 2016. On a same store basis, general merchandise sales were up 5.6% compared to a decrease of 1.4% in 2017. Quarterly same store general merchandise sales increased 1.3%, 6.5%, 11.9% and 2.2% in the fourth quarter led by same store sales growth in AC stores. Sales in AC stores were positively impacted by a 45.5% increase in the Permanent Fund Dividend ("PFD") to $1,600 this year compared to $1,100 in 2017 and $1,022 in 2016.

Other sales, which consists of fuel sales and financial services revenue were down 6.5% from 2017 but were up 50.2% from 2016. The increase compared to 2016 is mainly due to the reclassification of financial services revenue related to the implementation of IFRS 15 as described in Accounting Standards Implemented in 2018. This increase in sales is not comparable as 2016 was not restated for IFRS 15.

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

	2018	2017[(1)]	2016[(1)]
Food	**88.5%**	89.1%	87.6%
General merchandise and other	**11.5%**	10.9%	12.4%

(1) Sales blend for 2017 has been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. 2016 has not been restated for IFRS 15.

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 the PFD and regional Native corporation dividends, which can result in greater sales volatility.

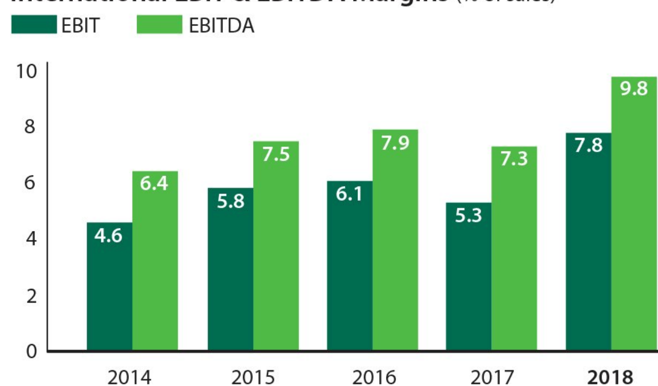
Same Store Sales

(% change)	**2018**	2017	2016
Food	**4.0%**	2.3 %	1.0 %
General merchandise	**5.6%**	(1.4)%	(3.9)%
Total sales	**4.2%**	1.8 %	0.4 %

Gross Profit Gross profit dollars decreased 1.0% as lower sales more than offset an increase in the gross profit rate. The increase in the gross profit rate is due to the blend of sales across the various jurisdictions partially offset by an increase in promotional activities and competitive pricing in certain Caribbean markets.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased 11.0% compared to last year and were down 190 basis points as a percentage of sales due to a $13.1 million hurricane-related insurance gain this year, the impact of the previously noted store closures and the impact of one-time acquisition costs of $4.3 million predominately related to stamp duties paid to the Government of the British Virgin Islands last year. Excluding the impact of the insurance gain and the acquisition costs, Expenses increased 1.3% compared to last year partially due to higher insurance costs and utility expenses.

Earnings from Operations (EBIT) Earnings from operations increased $13.9 million or 43.4% to $45.9 million compared to 2017 due to the hurricane-related insurance gain and the other factors previously noted. EBITDA[(2)] increased $13.4 million or 30.2% to $57.6 million and was 9.8% as a percentage of sales compared to 7.3% in 2017.



Hurricanes Irma and Maria Impact In September 2017, the Company's CUL stores in St. Maarten and St. Thomas, and the RTW operations in the British Virgin Islands ("BVI") were impacted by hurricanes Irma and Maria. These category five hurricanes had a devastating impact on the people and infrastructure on these and other islands in the Caribbean.

A CUL store in St. Maarten partially re-opened in November 2017 and fully re-opened in September 2018. Three RTW stores in the BVI required complete reconstruction. Two of the RTW stores opened at the end of the third quarter and the remaining store is expected to open in the second half of 2019. A CUL store in St. Thomas, USVI, is expected to reopen in the fourth quarter of 2019. The hurricane related store closures negatively impacted sales and EBITDA[(2)] by approximately $34.9 million and $2.3 million respectively in 2018 as the impact of the full-year closure of the St. Thomas CUL store was partially offset by the re-opening of the St. Maarten CUL store and the two RTW stores.

The Company expects that its insurance proceeds will be sufficient to cover repair and reconstruction costs and also has business interruption insurance that will help mitigate the earnings impact of the store closures. In the third quarter, the Company recorded a $13.1 million gain on the partial settlement of hurricane-related insurance claims. The insurance gain was primarily due to the difference between the replacement cost of the assets destroyed and their book value. The settlement of these claims and the receipt of payments are expected to result in insurance-related gains in the consolidated statements of earnings in subsequent periods.

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

Net Assets Employed International Operations net assets employed of $208.8 million increased $13.1 million or 6.7% compared to last year and were up $37.1 million or 21.6% to 2016 as summarized in the following table:

Net Assets Employed

($ in millions at the end of the fiscal year)	2018	2017	2016
Property and equipment	**$ 119.5**	$ 111.9	$ 85.2
Inventories	**68.9**	68.0	63.6
Accounts receivable	**13.0**	11.3	10.0
Other assets	**56.2**	49.8	53.1
Liabilities	**(48.8)**	(45.3)	(40.2)
Net assets employed	**$ 208.8**	$ 195.7	$ 171.7

The increase in property and equipment is mainly due to the repair and reconstruction of the CUL and RTW stores related to the hurricane damage in 2017. Investments in fixtures and equipment were also a factor. The increase in net assets employed compared to 2016 is substantially due to the acquisition of RTW. Further information on the assets and liabilities related to the acquisition of RTW is provided in Note 24 to the consolidated financial statements.

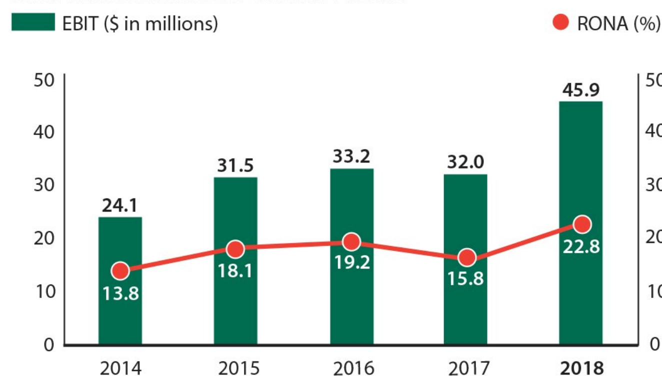
Inventories increased $0.9 million compared to last year and were up $5.3 million or 8.3% from 2016. Average inventory levels in 2018 were down 1.2% compared to 2017 but were up 7.8% compared to 2016 mainly due to the acquisition of RTW partially offset by the impact of the hurricane-related store closures and re-opening as previously noted. Inventory turnover was flat to last year at 6.1 times and was down slightly from 6.2 in 2016.

Other assets increased $6.4 million or 12.9% compared to last year and were up $3.1 million compared to 2016 primarily due to higher cash balances and an increase in prepaid expenses partially offset by a decrease in deferred tax assets.

Liabilities increased $3.5 million or 7.7% compared to 2017 and were up $8.6 million or 21.4% compared to 2016 mainly due to higher trade accounts payable and an increase in deferred tax liabilities partially offset by a decrease in income tax payable related to U.S. tax reform.

Return on Net Assets The return on net assets employed for International Operations increased to 22.8% compared to 15.8% in 2017 due to a 43.4% increase in EBIT.

International Return on Net Assets



Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

($ in thousands)	2018	2017	2016
Cash provided by (used in):			
Operating activities before change in non-cash working capital and other	**$149,196**	$ 134,222	$ 132,351
Change in non-cash working capital	**(20,792)**	2,271	(10,799)
Change in other non-cash items	**(1,284)**	4,926	4,472
Operating activities	**127,120**	141,419	126,024
Investing activities	**(80,793)**	(165,861)	(77,682)
Financing activities	**(33,752)**	19,928	(54,398)
Effect of foreign exchange	**713**	(569)	(944)
Net change in cash	**$ 13,288**	$ (5,083)	$ (7,000)

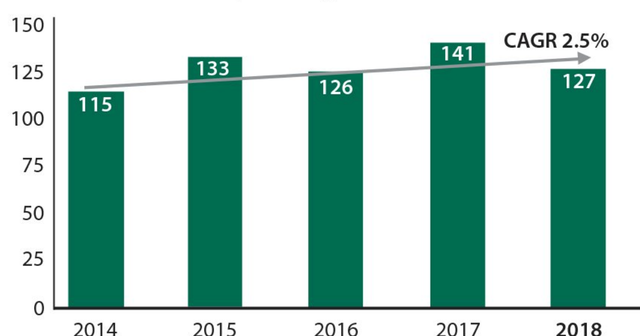
Cash from Operating Activities Cash flow from operating activities decreased $14.3 million or 10.1% to $127.1 million compared to 2017 and was up $1.1 million or 0.9% compared to 2016. The decrease in cash flow from operating activities is mainly due to the change in non-cash working capital which negatively impacted cash flow from operating activities by $20.8 million this year compared to an increase in cash flow of $2.3 million in 2017 and a decrease in cash flow of $10.8 million in 2016. The change in non-cash working capital is primarily due to the change in inventories, accounts receivable and accounts payable and accrued expenses compared to the prior year. Further information on working capital is provided in the Canadian and International net assets employed sections on pages 11 and 14 respectively.

The $15.0 million increase in cash flow from operating activities before working capital and other items in 2018 compared to 2017 is due in part to an increase in net earnings and higher amortization and interest expense partially offset by a $17.0 million hurricane-related insurance gain that is deducted from cash flow from operating activities and recorded as proceeds from insurance settlement in investing activities.

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 2019.

The compound annual growth rate ("CAGR") for cash flow from operating activities is 2.5% over the past four years as shown in the following graph:

Cash Flow from Operating Activities ($ in millions)



Cash Used in Investing Activities Net cash used in investing activities was $80.8 million compared to $165.9 million in 2017 and $77.7 million in 2016. The decrease is mainly due to the acquisition of RTW and NSA in 2017 and the $18.8 million in insurance proceeds received in 2018 related to insurance claims on the Company's stores destroyed by the hurricanes. Net investing in Canadian Operations was $69.2 million compared to $121.4 million in 2017 and $63.3 million in 2016. A summary of the Canadian Operations investing activities is included in net assets employed on page 11. Investing in International Operations was $11.6 million, net of $18.8 million in insurance proceeds, compared to $44.5 million, net of $7.0 million in insurance proceeds in 2017 and $14.4 million in 2016. A summary of the International Operations investing activities is included in net assets employed on page 14.

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

	Number of Stores		Selling square footage	
	2018	2017	**2018**	2017
Northern	**117**	119	**686,256**	688,583
NorthMart	**5**	6	**106,968**	134,210
Quickstop	**27**	21	**43,056**	35,003
Giant Tiger	**44**	41	**720,523**	672,794
Alaska Commercial	**27**	27	**269,893**	269,893
Cost-U-Less	**11**	12	**315,725**	318,191
Riteway Food Market	**8**	6	**58,650**	54,712
Other Formats	**6**	7	**39,063**	46,366
Total at year-end	**245**	239	**2,240,134**	2,219,752

In Canadian Operations, seven Quickstop convenience stores were opened and one QuickStop was closed in northern Canada, and three Giant Tiger stores were opened. Two Northern stores were closed, one of which was destroyed by fire and the operations were transferred to another Northern store in the community and a NorthMart store in Hay River, NT was closed. Under Other Formats, the standalone Tim Hortons in Thompson, MB and a Fur Marketing Branch in Toronto, ON were closed. Total selling square footage in Canada increased 0.9% to 1,570,826 compared to 1,551,916 in 2017 as a result of the new stores.

In International Operations, a Cost-U-Less store in Kauai, Hawaii was closed and two Riteway Food Market stores destroyed by Hurricane Irma were re-opened. Total selling square footage increased to 669,308 compared to 667,836 last year as the impact of the CUL store closure largely offset the square footage added from the two RTW stores opened.

Cash From/(Used in) Financing Activities Cash used in financing activities was $33.8 million compared to cash provided by financing activities of $19.9 million in 2017 and cash used in financing activities of $54.4 million in 2016. The change compared to last year is largely due to an increase in amounts drawn on revolving loan facilities this year compared to the issuance of $100.0 million in senior notes in 2017 which was used to reduce amounts drawn on the Company's revolving loan facilities. An increase in interest due primarily to the timing of interest payments on the $100.0 million in senior notes was also a factor. Further information on dividends, interest and the loan facilities is provided in the following sections.

Shareholder Dividends The Company paid dividends of $62.3 million or $1.28 per share consistent with 2017. Further information on dividends is included in Note 19 to the consolidated financial statements.

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

	2018	2017	2016
First Quarter	**$ 0.32**	$ 0.32	$ 0.31
Second Quarter	**0.32**	0.32	0.31
Third Quarter	**0.32**	0.32	0.31
Fourth Quarter	**0.32**	0.32	0.31
Total	**$ 1.28**	$ 1.28	$ 1.24

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.

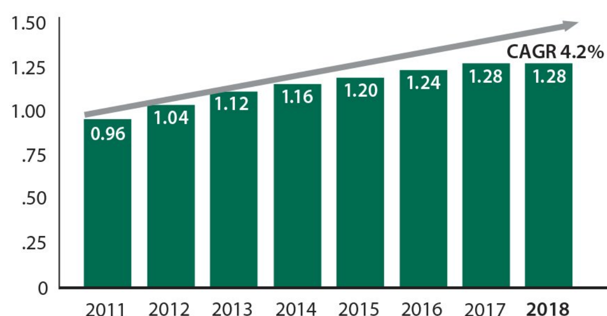
The following table shows dividends paid in comparison to cash flow from operating activities for the past three years:

	2018	2017	2016
Dividends	**$ 62,329**	$ 62,315	$ 60,169
Cash flow from operating activities	**$ 127,120**	$ 141,419	$126,024
Dividends as a % of cash flow from operating activities	**49.0%**	44.1 %	47.7%

Dividends as a percentage of cash flow from operating activities has averaged 46.9% over the past three years.

Since converting back to a share corporation on January 1, 2011, the dividend has increased at a compound annual growth rate ("CAGR") of 4.2% over the past seven 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.

Subsequent Event - Dividends On March 14, 2019, the Board of Directors approved a quarterly dividend of $0.33 per share, an increase of $0.01 or 3.1% per share, to shareholders of record on March 29, 2019, to be paid on April 15, 2019.

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 $5.0 million net of deferred income taxes in other comprehensive income. This compares to net actuarial gains on defined benefit pension plans of $1.2 million in 2017 and $2.4 million in 2016. These gains 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 2019, the Company will be required to contribute approximately $2.8 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 2018, the Company's cash contributions to the pension plan were $2.3 million compared to $3.5 million in 2017 and $1.5 million in 2016. 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 $4.8 million to the defined contribution pension plan and U.S. employees savings plan in 2019 compared to $4.8 million in 2018 and $4.3 million in 2017. Additional information regarding post-employment benefits is provided in Note 12 to the consolidated financial statements.

Sources of Liquidity The Company has outstanding $100.0 million in senior notes (January 31, 2018 - $100.0 million) that mature September 26, 2029 and have a fixed interest rate of 3.74%. The 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 US$70.0 million senior notes and the US$52.0 million loan facilities.

At January 31, 2019, the Canadian Operations have outstanding US$70.0 million senior notes (January 31, 2018 - US$70.0 million). The senior notes, which mature June 16, 2021, have a fixed interest rate of 3.27% on US$55.0 million and a floating interest rate on US$15.0 million based on U.S. LIBOR plus a spread payable semi-annually. The senior notes are secured by certain assets of the Company and rank *pari passu* with the 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 11 and Note 14 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, 2019, the Company had drawn $134.8 million on these facilities (January 31, 2018 - $91.1 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, 2019, the Company had drawn US$27.9 million on these facilities (January 31, 2018 - US$27.9 million).

The International Operations have a US$40.0 million loan facility which matures October 31, 2020 and bears a floating rate of interest based on U.S. LIBOR plus a spread. This facility is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2019, the International Operations had drawn US$NIL on this facility (January 31, 2018 - US$1.4 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, 2019, 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

	2018	2017	2016
Coverage ratio	**9.3**	11.3	16.4
EBIT ($ in millions)	**$ 129.9**	$ 114.0	$ 118.1
Interest ($ in millions)	**$ 13.9**	$ 10.1	$ 7.2

The coverage ratio of earnings from operations ("EBIT") to interest expense has decreased to 9.3 times compared to 11.3 times in 2017 largely due to a $3.8 million increase in interest expense partially offset by an increase in consolidated EBIT as previously noted. Additional information on interest expense is provided in Note 18 to the consolidated financial statements.

Contractual Obligations and Other Commitments

Contractual obligations of the Company are listed in the chart below:

($ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	6 Years+
Long-term debt (including capital lease obligations)	$366,757	$ 900	$ 93,466	$ 172,391	$100,000
Operating leases	167,552	28,439	38,093	26,192	74,828
Other liabilities [1]	28,271	13,998	14,273	—	—
Total	$562,580	$ 43,337	$145,832	$ 198,583	$174,828

(1) At year-end, the Company had additional long-term liabilities of $43.7 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.

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 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 financial statements regarding these agreements.

Giant Tiger Master Franchise Agreement The Company has a Master Franchise Agreement (MFA) with Giant Tiger Stores Limited, based in Ottawa, Ontario, which grants the Company the exclusive right to open Giant Tiger stores in western Canada, subject to meeting a minimum store opening commitment. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening,

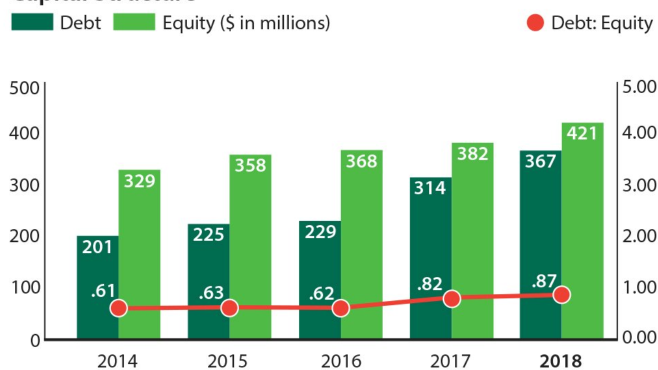
owning, operating and providing food buying and distribution services to the stores. At January 31, 2019, the Company owns 44 Giant Tiger stores and is in compliance with the minimum store opening commitment. The agreement expires July 31, 2040. Additional information on commitments, contingencies and 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 million (January 31, 2018 - $22 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.

On a consolidated basis, the Company had $366.8 million in debt and $421.1 million in equity at the end of the year and a debt-to-equity ratio of 0.87:1 compared to 0.82:1 last year.



The Company's capital structure is summarized in the preceding graph. Over the past five years, the Company's debt-to-equity ratio has ranged from 0.61:1 to 0.87:1. Equity has increased $91.8 million or 27.9% to $421.1 million over the past four years and interest-bearing debt has increased $165.4 million or 82.1% to $366.8 million compared to $201.4 million in 2014. From 2014 to 2018, the Company has made capital expenditures, including acquisitions, of $482.9 million and has paid dividends of $299.2 million. This reflects the Company's balanced approach of investing to sustain and grow the business while providing shareholders with an annual cash return.

Consolidated debt at the end of the year increased $53.2 million or 17.0% to $366.8 million compared to $313.5 million in 2017, and was up $137.5 million or 60.0% from $229.3 million in 2016. The increase in debt is mainly due to higher amounts drawn on the revolving loan facilities largely resulting from the acquisition of RTW and NSA and investments in Top Markets, major store remodels and aircraft. Further information is provided under investing activities. The impact of foreign exchange on the translation of U.S. denominated debt was also a factor. The Company has US$97.9 million in debt at January 31, 2019 (January 31, 2018 - US$99.4 million, January 31, 2017 - US$79.1 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, 2019 was 1.3137 compared to 1.2301 at January 31, 2018 and 1.3030 at January 31, 2017. The change in the foreign exchange rate resulted in an $8.2 million increase in debt compared to 2017 and a $1.0 million increase compared to 2016. Average debt outstanding during the year excluding the foreign exchange impact increased $60.4 million or 22.2% from 2017 and was up $120.9 million or 57.4% compared to 2016. The debt outstanding at the end of the fiscal year is summarized as follows:

($ in thousands at the end of the fiscal year)	**2018**	2017	2016
CAD$ senior notes	**$ 100,000**	$ 100,000	$ —
US$ senior notes	**91,666**	85,760	91,035
Canadian revolving loan facilities	**134,791**	91,648	126,344
U.S. revolving loan facilities	**36,700**	36,141	11,887
Promissory note payable	**3,600**	—	—
Total	**$ 366,757**	$ 313,549	$ 229,266

Shareholders' Equity The Company has an unlimited number of authorized shares and had issued and outstanding shares at January 31, 2019 of 48,750,929 (January 31, 2018 - 48,690,212). 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, 2019, there were 2,398,063 options outstanding representing 4.9% of the issued and outstanding shares. Further information on share options is provided in Note 13 to the consolidated financial statements.

On June 14, 2017, the Company's Common Shares were replaced by Variable Voting Shares and Common Voting Shares. The two classes of shares have equivalent rights 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 25% 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 25% of the total number of votes cast at such 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). At January 31, 2019, there were 12,300,338 Variable Voting Shares, representing 25.2% of the total shares issued and outstanding. Further information on the Company's share capital is provided in Note 15 to the consolidated financial statements.

Book value per share attributable to shareholders, on a diluted basis, at the end of the year increased to $8.31 per share compared to $7.51 per share in 2017. Total shareholders' equity increased $38.9 million or 10.2% compared to 2017 largely due to the impact of higher net earnings and an increase in other comprehensive income. 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. 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					
2018	$ 465,730	$ 503,796	$ 511,477	$ 532,483	$ 2,013,486
2017[(1)]	$ 485,789	$ 515,184	$ 486,957	$ 497,192	$ 1,985,122
EBITDA					
2018	$ 39,532	$ 42,438	$ 70,461	$ 36,912	$ 189,343
2017	$ 30,115	$ 47,304	$ 45,612	$ 46,593	$ 169,624
Earnings from operations (EBIT)					
2018	$ 25,592	$ 27,824	$ 54,903	$ 21,589	$ 129,908
2017	$ 16,740	$ 33,192	$ 31,824	$ 32,215	$ 113,971
Net earnings					
2018	$ 18,581	$ 18,620	$ 39,528	$ 13,903	$ 90,632
2017	$ 9,071	$ 23,261	$ 21,034	$ 16,325	$ 69,691
Net earnings attributable to shareholders of the Company					
2018	$ 17,758	$ 17,644	$ 38,340	$ 13,006	$ 86,748
2017	$ 8,386	$ 22,720	$ 20,648	$ 15,400	$ 67,154
Earnings per share-basic					
2018	$ 0.36	$ 0.37	$ 0.78	$ 0.27	$ 1.78
2017	$ 0.17	$ 0.47	$ 0.42	$ 0.32	$ 1.38
Earnings per share-diluted					
2018	$ 0.36	$ 0.36	$ 0.78	$ 0.27	$ 1.77
2017	$ 0.17	$ 0.46	$ 0.42	$ 0.31	$ 1.36

(1) Sales have been restated due to the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018.

Fourth Quarter Highlights Fourth quarter consolidated sales increased 7.1% to $532.5 million led by same store sales gains in International Operations, the impact of foreign exchange on the translation of International Operations sales and new stores in Canadian Operations. The early issuance of the February Supplemental Nutrition Assistance Program ("SNAP") benefit payments in January due to the U.S. Government shut-down and the re-opening of two stores in the British Virgin Islands that were previously closed as a result of the hurricanes last year were also factors contributing to the sales gains in International Operations. Excluding the foreign exchange impact, consolidated sales increased 4.5% and were up 4.0%[2] on a same store basis. Food sales[2] increased 4.6% and were up 4.6% on a same store basis and general merchandise sales[2] increased 3.5% and were up 2.0% on a same store basis. These gains were partially offset by the temporary closure of a NorthMart store in Iqaluit, Nunavut due to a fire and the disposition of a standalone Tim Hortons in Canadian Operations, and the closure of a Cost-U-Less ("CUL") store in Kauai, Hawaii in the first quarter this year.

Gross profit increased 5.4% driven by higher sales partially offset by a 51 basis point decrease in gross profit rate. The decrease in gross profit rate was primarily due to competitive pricing pressures and changes in sales blend in International Operations. Selling, operating and administrative expenses increased 15.3% and were up 191 basis points as a percentage to sales. This increase was primarily due to higher incentive plan costs, utilities and insurance expense. The impact of new stores, an increase in North Star Air Ltd. ("NSA") expenses and the impact of foreign exchange on the translation of International Operations expenses were also factors.

The increase in incentive plan costs is primarily due to a $7.5 million increase in share-based compensation related to an option expense of $3.6 million compared to an option expense recovery of $2.8 million last year. A substantial portion of the options granted are accounted for as a liability and are re-measured based on the share price at each quarterly reporting date. The increase in option expense was due to an increase in share price in the quarter this year compared to a decrease in the fourth quarter last year. Changes made to share-based compensation plans in 2018 will begin to mitigate most of the expense volatility inherent in the prior share-based compensation plans as the performance share units and options granted under these plans are exercised or expire. Excluding the share-based compensation option expense, selling, operating and administration expenses increased 9.9% and were up 67 basis points as a percentage to sales compared to last year.

Earnings from operations decreased 33.0% to $21.6 million compared to $32.2 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA[3]) decreased $9.7 million or 20.8% to $36.9 million due to the factors previously noted. Excluding the impact of the share-based compensation option expense, adjusted EBITDA[3] was down 7.6% compared to last year and as a percentage to sales was 7.6% compared to 8.8% last year.

Income tax expense decreased $9.0 million to $3.8 million and the consolidated effective tax rate was 21.4% compared to 44.0% last year. This decrease was primarily due to the impact of U.S. tax reform in the fourth quarter last year and the blend of earnings in International Operations across the various tax rate jurisdictions. The most significant impact of U.S. tax reform was a reduction in the federal corporate income tax rate from 35.0% to 21.0% effective January 1, 2018 and the implementation of a one-time transition tax on undistributed earnings in foreign subsidiaries. These changes resulted in an additional income tax expense of $5.8 million in the fourth quarter last year.

Net earnings decreased $2.4 million or 14.8% to $13.9 million. Net earnings attributable to shareholders were $13.0 million and diluted earnings per share were $0.27 per share compared to $0.31 per share last year due to the factors noted above. Excluding the impact of the share-based compensation option expense and U.S. tax reform in the

(2) Excluding the foreign exchange impact

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

fourth quarter last year, adjusted net earnings[2] decreased 7.5% compared to last year due to the higher expenses as previously noted.

Comprehensive income increased to $20.2 million compared to $11.6 million last year as the decrease in net earnings was more than offset by the impact of foreign exchange on the translation of International Operations financial statements and the remeasurement of defined benefit pension plans. The change in foreign exchange rates resulted in a gain of $1.4 million compared to a loss of $5.7 million last year. The remeasurement of defined benefit pension plan assets and liabilities resulted in a net actuarial gain of $5.0 million compared to a gain of $1.2 million last year.

Cash flow from operating activities in the quarter decreased $7.8 million to $47.7 million compared to cash flow from operating activities of $55.5 million last year as the change in non-cash working capital was more than offset by an increase in taxes paid due to the timing of installments and a decrease in net earnings. The change in non-cash working capital is primarily related to the change in inventories and accounts receivable compared to the prior year. The decrease in other non-cash items is mainly due to a reduction in long-term liabilities related to share-based compensation.

Cash used for investing activities in the quarter decreased to $13.3 million compared to $40.0 million last year. The purchase of property and equipment in the quarter was largely related to investments in Top Markets. Investing activities in the quarter last year was higher due to the purchase of aircraft and equipment to expand the number of stores serviced by NSA.

Cash flow used in financing activities in the quarter was $51.6 million compared to $42.9 million last year. The net change in long-term debt in the quarter is due to changes in amounts drawn on the Company's revolving loan facilities. The increase in interest paid is mainly due to the timing of interest payments on the $100.0 million senior notes. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 9 to the Company's Interim Condensed Consolidated Financial Statements.

Further information on the quarterly financial performance of the Company is provided in the interim MD&A available on the Company's website at *www.northwest.ca* or on SEDAR at *www.sedar.com*.

(2) Excluding the foreign exchange impact.

(3) See Non-GAAP Financial Measures Section in the 2018 fourth quarter report to shareholders.

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, 2019.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is 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, 2019. There have been no changes in the internal controls over financial reporting for the year ended January 31, 2019 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

As noted under the Strategy section, the Company's principal focus continues to be on its store network, products, people and facilities. Successful execution enables the Company to capture sales at a higher rate with lower-risk products and services. Other priority work in 2019 includes fire and hurricane risk mitigation and discount banner competitive strategies (Cost-U-Less and Giant Tiger).

The near-term consumer outlook remains stable to positive in most of the Company's markets and aligns with our lower risk product and service focus, augmented by opportunistic investments. Northern Canada's economic outlook remains positive for 2019 with a ramp-up of government investment within Indigenous communities, resource development, and other public sector capital projects. The western Canadian retail environment is important for our Giant Tiger ("GT") business and is expected to stabilize compared to cost and margin pressures in 2018. We expect price inflation to be a larger factor in 2019 and contribute to a modest net improvement to margins.

Economic conditions in Alaska are expected to continue to recover from depressed conditions over the past two years led by stronger commercial fishing, more oil and gas activity, public infrastructure projects and higher Permanent Fund Dividend payments. Southern market prospects vary significantly from island to island. In the Caribbean, post-hurricane construction activity is expected to continue to help offset tourism downturns in the BVI and USVI but is lagging in St. Maarten, while fiscally stable islands, like Cayman, take advantage of a strong U.S. travel economy. Guam's prospects are stable to slightly positive depending on geo-political factors related to North Korea's negative impact on tourism and the pace of significant military base construction and personnel deployment over the next five years.

The settlement of hurricane and fire related insurance claims and the receipt of payments are expected to result in insurance-related gains in the consolidated statement of earnings in 2019. These gains will be partially offset by higher insurance costs in northern Canada and the Caribbean and costs incurred to relocate our International store operations support office from Bellevue, Washington to Anchorage, Alaska and South Florida. This relocation is expected to be completed by the end of the second quarter and will result in our International Operations executives and store support teams being closer to the markets they serve.

Capital expenditures for 2019, net of expected recoveries on the settlement of hurricane and fire insurance claims, are expected to be in the $90.0 million range (2018 - $80.8 million) reflecting major store replacements, store renovations, staff housing and store-based warehouse expansions under the Company's Top Markets and Top Categories initiatives. These investments also include the planned opening of six GT stores and the completion of "New Store Experience" upgrades in GT stores. The Company will also complete upgrades on its facilities in the Caribbean to increase resiliency to a category 5 hurricane and will continue to invest in implementing new information systems as described under the strategy section, with full implementation expected to be completed in Canada in the fourth quarter of 2019. All store-based capital expenditures can be impacted by the completion of landlord negotiations, shipment of construction materials to remote markets, and weather-related delays and therefore their actual amount and timing can fluctuate.

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, 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 and 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:

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. In March 2019, the Company opened a training center in Winnipeg, Manitoba which will facilitate the delivery of its comprehensive training programs on a more consistent basis.

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 has 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 is based on the type of aircraft and take effect in December 2020 and December 2022 for NSA.

These regulations may result in an increase in the number of pilots required by NSA which, combined with an existing global shortage of pilots, may result in higher recruitment and compensation costs and 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 serves geographically diverse markets and sells a very wide range of products and services. 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 25. 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, workforce management and merchandise management systems which are described further in the strategy section under Initiative #4, Project Enterprise. In 2019, the Company will be upgrading its financial reporting software. The failure to successfully upgrade legacy systems, or to migrate from legacy systems to the 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 or paralyze 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; or the consolidation, financial difficulties or bankruptcy of transportation companies. To help mitigate these risks, the Company acquired North Star Air Ltd. in 2017 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. In 2017, islands in the Caribbean were devastated by two category five hurricanes which resulted in the destruction of four of the Company's stores and significantly damaged a CUL store in St. Maarten. Rebuilding will significantly increase resiliency to future hurricanes however, certain markets remain exposed to this risk. Further information on the impact of these hurricanes is provided in the International Operations financial performance section.

The Company completed an assessment of its stores in the Caribbean and is in the process of upgrading its most hurricane-vulnerable stores to improve the building construction, where practical, to a category five hurricane resiliency level. These improvements should help mitigate the impact of hurricanes on the Company's stores however, there can be no certainty that the damage from hurricanes will not be severe including significant damage to or loss of stores and warehouses.

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 has 71 stores in northern Canada and 16 stores in Alaska that are potentially exposed to changes in permafrost. 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.

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 acquisition of NSA and 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 are being completed. The Company has fire risk mitigation policies and procedures and is undertaking an independent review to identify opportunities to improve fire prevention in its northern stores, which are expected to be largely implemented by the end of 2019.

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 and Product Safety The Company is exposed to risks associated with food 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 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.

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. 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. 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 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.

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.

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 26 and in Note 12 to the consolidated financial statements.

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 Miami, 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 Bellevue, Washington. 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 14 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, 2019, the Company had undrawn committed revolving loan facilities available of $231.5 million (January 31, 2018 - $266.6 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 on page 16. At January 31, 2019, the Company had US$97.9 million in U.S. denominated debt compared to US$99.4 million at January 31, 2018 and US$79.1 million at January 31, 2017. Further information on the impact of foreign exchange rates on the translation of U.S. denominated debt is provided in the Capital Structure section on page 17.

The Company is also exposed to currency risk relating to the translation of International Operations earnings to Canadian dollars. In 2018, the average exchange rate used to translate U.S. denominated earnings from the International Operations was 1.3041 compared to 1.2930 last year. The Canadian dollar's depreciation in 2018 compared to the U.S. dollar in 2017 positively impacted consolidated net earnings by $0.4 million. In 2017, the average exchange rate was 1.2930 compared to 1.3169 in 2016 which resulted in a decrease in 2017 consolidated net earnings of $0.5 million compared to 2016.

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 11 to the consolidated financial statements. As at January 31, 2019, 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 has recently framed its social responsibility and sustainability objectives under the following four pillars which are part of the Company's Sustainability Roadmap:

- 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 communities we serve. We believe that building strong, healthy 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 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 Roadmap 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 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 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 14 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 discount factors used to convert inventory to cost after a physical count at retail has been completed; (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; (3) estimating inventory losses, or shrinkage, occurring between the last physical count and the balance sheet date; and (4) the impact of vendor rebates on cost.

General Merchandise inventories counted at retail are converted to cost by applying average cost factors by merchandise category. These cost factors represent the average cost-to-retail ratio for each merchandise category based on beginning inventory and purchases made throughout the year.

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, 2019 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 2018 was 3.75% compared to 3.5% in 2017 and 4.0% in 2016. Management assumed a rate of compensation increase of 4.0% for fiscal 2018 - 2016.

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 12 to the consolidated financial statements.

Amortization of Long-lived Assets The Company makes estimates about the expected useful lives of long-lived assets, including 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 statement of earnings.

Business Combinations The Company's 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 2018 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 9 to the consolidated financial statements.

ACCOUNTING STANDARDS IMPLEMENTED IN 2018

New Standards Implemented The Company adopted the amendments to IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts* with Customers and the amended IFRS 2 *Share-based payments* effective February 1, 2018, as required by the IASB.

Share-based payments The amendments to IFRS 2 *Share-based payments* are in relation to the classification and measurement of share-based payment transactions, specifically, accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based transactions. The adoption of these amendments did not result in any measurement adjustments to the liability for share-based payments.

Financial Instruments The amended IFRS 9 *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. The standard establishes new principles for:

Classification and measurement. IFRS 9 uses a single approach to determine measurement of financial assets by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

The Company implemented the new requirements for classification and measurement, including impairment, retrospectively with any cumulative effects of initial application recorded in opening retained earnings. The adoption of IFRS 9 did not result in any measurement adjustments to financial assets and liabilities. The adoption of IFRS 9 did result in certain classification changes, as summarized in the table below.

Asset/Liability	New Classification under IFRS 9
Cash	Amortized cost[(1)]
Accounts receivable	Amortized cost[(1)]
Other financial assets	Amortized cost[(1)]
Accounts payable and accrued liabilities	Amortized cost[(2)]
Current portion of long-term debt	Amortized cost[(2)]
Long-term debt	Amortized cost[(2)]

(1) Previously classified as loans and receivables under IAS 39
(2) Classified as financial liabilities at amortized cost under IAS 39

Financial assets are not reclassified subsequent to their initial recognition, unless the Company identifies changes in its business model requiring reassessment. Financial assets are subsequently measured at amortized cost if both of the following conditions are met and they are not designated as FVTPL:

- financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment. Measurement gains or losses are recognized in net earnings in the period when the asset is derecognized or impaired.

"*Expected credit loss*" impairment model As at January 31, 2018 and thereafter the Company applied a new forward-looking lifetime expected credit loss ("ECL") impairment model to its accounts receivable under IFRS 9.

The change in ECL's is recognized in earnings and reflected as an allowance against accounts receivable. The Company adopted the practical expedient to determine ECL's using a provision matrix 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. Adoption of the revised ECL based provision matrix resulted in an insignificant measurement adjustment to the Company's accounts receivable. Certain receivables are also individually assessed for lifetime expected credit losses.

Prior to January 31, 2018 a financial asset was considered to be impaired if objective evidence indicated that one or more events had a negative effect on the estimated future cash flows of that asset. An impairment loss was calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at their original effective interest rate.

Revenue from Contracts with Customers The IFRS 15 *Revenue from Contracts with Customers* standard contains a comprehensive model which specifies the criteria and timing for recognizing revenue, and also requires additional disclosures in the notes to the financial statements. The core principle of the standard is that revenue is recognized to depict the transfer of promised goods or services to the customer at an amount that reflects the consideration to which the Company is entitled. A contract based five step analysis of transactions is used to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced.

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 accounts receivable are accrued each month on balances outstanding at each account's billing date.

The Company adopted the standard retrospectively with the restatement of comparative periods. As a result of these changes certain commissions and service fees previously included in selling, operating and administrative expenses are now presented in sales and cost of sales. These changes had no impact on earnings from operations, net earnings or retained earnings previously reported. The impact of this change on the comparative period is as follows:

Revenue from Contracts with Customers, continued

	Year Ended January 31, 2018 (Previously Reported)	IFRS 15 Amendment	**Year Ended January 31, 2018 (Revised)**
SALES	$ 1,953,743	$ 31,379	**$ 1,985,122**
Cost of sales	(1,367,657)	7,276	**(1,360,381)**
Gross profit	586,086	38,655	**624,741**
Selling, operating and administrative expenses	(472,115)	(38,655)	**(510,770)**
Earnings from operations	$ 113,971	$ —	**$ 113,971**

FUTURE ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2019, and have not been applied in preparing these consolidated financial statements.

Leases IFRS 16 *Leases* replaces the current guidance in IAS 17 for operating and finance lease accounting. This standard requires lessees to recognize a lease liability representing the obligation for future lease payments and a right-of-use asset in the consolidated balance sheets for substantially all lease contracts, initially measured at the present value of unavoidable lease payments. Purchase, renewal and termination options which are reasonably certain of being exercised are also included in the measurement of the lease liability. Lease payment liabilities will not include variable lease payments.

Under the new standard the Company will recognize new right-of-use assets and lease liabilities for its operating leases of land, buildings and equipment. In addition, the nature and timing of leasing expenses will change as operating lease expenses recorded in cost of sales and selling, operating and administrative expenses are replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Company plans to apply IFRS 16 on February 1, 2019 using the full retrospective approach with restatement of the comparative period financial statements. The cumulative effect of the initial application will be recorded by restating opening retained earnings at February 1, 2018.

The Company continues to execute its detailed implementation plan. The portfolio of leases has been identified and the leasing information required to support the change in accounting standards has been summarized for each lease. The Company has configured its accounting system to account for leases under IFRS 16 and populated the detailed lease data. Processes and controls are being modified and training is being conducted to support the implementation. The Company is continuing to evaluate the impact of these changes on its consolidated financial statements, technology, processes and internal controls.

The implementation of this accounting standard will have a material impact on the consolidated financial statements with increases in total assets and long-term liabilities. Any difference between the recognition of right-of-use assets and lease liabilities will be recognized in retained earnings.

Based on the information available at April 10, 2019, the Company estimates that it will record a right-of-use asset of approximately $112 million to $121 million and a corresponding lease liability of $124 million to $133 million with the difference between the right-of-use asset and lease liability, net of the deferred tax impact, recorded in opening retained earnings at February 1, 2018. The actual impact of the initial application of IFRS 16 may vary from this estimate as critical accounting estimates and judgments are subject to change until the Company issues its April 30, 2019 first quarter report to shareholders.

Uncertainty over Income Tax Treatments In June 2017, the IASB issued IFRIC Interpretation 23. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company will adopt IFRIC 23 for the annual period beginning February 1, 2019 and it is not expected to have a material impact on the Company.

Annual Improvements In December 2017, the IASB issued amendments effective for the Company February 1, 2019. A summary of these amendments is as follows:

- IFRS 3 *Business Combinations* clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 *Income Taxes* specifies that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits (i.e. in net earnings, other comprehensive income or equity); and
- IAS 23 *Borrowing Costs* clarifies that specific borrowings to finance the construction of a qualifying asset should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The adoption of these amendments are not expected to have a material impact on the Company.

Post-Employment Benefits In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits*. The amendments require a company to update its assumptions for the remainder of the reporting period after a plan change. Amendments have also been included clarifying the effect of a plan amendment on the asset ceiling. The amendments are effective for the Company February 1, 2019 and are not expected to have a material impact on the Company.

Definition of Material In May 2017, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These amendments clarified the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make. The amendments are effective for the Company February 1, 2020 and are required to be applied prospectively. The implementation of these amendments is not expected to have a significant impact on the Company.

There are no other 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

(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.

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.

Reconciliation of consolidated net earnings to EBITDA and adjusted EBITDA

($ in thousands)	2018	2017	2016
Net earnings	**$ 90,632**	$ 69,691	$ 77,076
Add:			
Amortization	**59,435**	55,653	48,367
Interest expense	**13,965**	10,145	7,220
Income taxes	**25,311**	34,135	33,835
EBITDA	**$ 189,343**	$ 169,624	$ 166,498
Less: Gain on partial insurance settlement	**(16,955)**	—	—
Add:			
Acquisition costs	**—**	6,344	—
Share-based compensation option expense	**4,510**	2,886	2,510
Adjusted EBITDA	**$ 176,898**	$ 178,854	$ 169,008

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

Reconciliation of consolidated net earnings to adjusted net earnings:

($ in thousands)	2018	2017	2016
Net earnings	**$ 90,632**	$ 69,691	$ 77,076
Less: Gain on partial insurance settlement	**(13,176)**	—	—
Add:			
Acquisition costs, net of tax	**—**	6,188	—
Share-based compensation option expense	**4,224**	2,886	2,510
U.S. Tax reform transition and deferred tax expense	**—**	5,835	—
Adjusted Net Earnings	**$ 81,680**	$ 84,600	$ 79,586

Acquisition costs were incurred to complete the North Star Air Ltd. and Roadtown Wholesale Trading Ltd. transactions. They comprise stamp duty, external legal fees and other costs all of which are included in selling, operating and administrative expenses.

The Company is exposed to market price fluctuations in its share price through share-based compensation costs. Accrued share-based compensation is presented as a liability on the Company's consolidated balance sheets. This liability is recorded at fair value at each reporting date based on the market price on the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses.

U.S. tax reform transition and deferred tax expense were incurred due to new corporate tax legislation enacted in December 2017. They comprise a one-time transition tax on undistributed accumulated earnings in foreign owned subsidiaries and also the re-measurement of deferred tax assets and liabilities.

(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)	2018	2017	2016
Total assets	**$ 1,022.9**	$ 930.9	$ 805.8
Less: Total liabilities	**(601.8)**	(548.8)	(438.0)
Add: Total long-term debt	**366.8**	313.5	229.3
Net Assets Employed	**$ 787.9**	$ 695.6	$ 597.1

(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
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
2014	January 31, 2015	2008	January 31, 2009
2013	January 31, 2014	2007	January 31, 2008

Eleven-Year Financial Summary

Fiscal Year ($ in thousands)	**2018**	2017 [1]	2016	2015	2014
Consolidated Statements of Earnings					
Sales - Canadian Operations	**1,246,133**	$ 1,199,473	$1,125,330	$1,089,898	$1,042,168
Sales - International Operations	**767,353**	785,649	718,763	706,137	582,232
Sales - Total	**2,013,486**	1,985,122	1,844,093	1,796,035	1,624,400
EBITDA[3] - Canadian Operations	**114,215**	112,393	109,736	98,276	100,896
EBITDA[3] - International Operations	**75,128**	57,231	56,762	53,071	36,942
EBITDA[3] - Total Operations	**189,343**	169,624	166,498	151,347	137,838
Amortization - Canadian Operations	**44,116**	39,796	35,291	31,781	30,302
Amortization - International Operations	**15,319**	15,857	13,076	12,245	10,070
Amortization - Total	**59,435**	55,653	48,367	44,026	40,372
Interest	**13,965**	10,145	7,220	6,210	6,673
Income taxes	**25,311**	34,135	33,835	31,332	27,910
Net earnings attributable to shareholders of the Company	**86,748**	67,154	77,076	69,779	62,883
Cash flow from operating activities	**127,120**	141,419	126,024	132,987	115,086
Dividends/distributions paid during the year	**62,329**	62,315	60,169	58,210	56,180
Capital and intangible asset expenditures	**103,219**	122,035	77,745	75,983	52,329
Net change in cash	**13,288**	(5,083)	(7,000)	8,114	6,776
Consolidated Balance Sheets					
Current assets	**$ 376,829**	$ 335,003	$ 327,938	$ 335,581	$ 315,840
Property and equipment	**514,946**	469,993	358,121	345,881	311,692
Other assets, intangible assets and goodwill	**98,237**	91,502	86,909	83,293	68,693
Deferred tax assets	**32,909**	34,450	32,853	29,040	28,074
Current liabilities	**176,881**	171,212	152,244	155,501	146,275
Long-term debt and other liabilities	**424,936**	377,580	285,792	280,682	248,741
Total Equity	**421,104**	382,156	367,785	357,612	329,283
Consolidated Dollar Per Share/Unit ($)[5]					
Net earnings - basic	**$ 1.78**	$ 1.38	$ 1.59	$ 1.44	$ 1.30
Net earnings - diluted	**1.77**	1.36	1.57	1.43	1.29
EBITDA[3],[4]	**3.89**	3.48	3.43	3.12	2.85
Cash flow from operating activities[4]	**2.61**	2.91	2.60	2.74	2.38
Dividends/distributions paid during the year	**1.28**	1.28	1.24	1.20	1.16
Equity (basic shares/units outstanding end of year)	**8.39**	7.60	7.57	7.37	6.80
Market price at January 31	**31.17**	29.14	29.28	30.53	26.56
Statistics at Year End[5]					
Number of stores - Canadian	**193**	188	185	181	178
Number of stores - International	**52**	51	47	47	47
Selling square feet (000's) end of year - Canadian Stores	**1,571**	1,552	1,518	1,463	1,422
Selling square feet (000's) end of year - International Stores	**669**	668	676	676	676
Sales per average selling square foot - Canadian	**$ 798**	$ 781	$ 755	$ 756	$ 742
Sales per average selling square foot - International	**$ 1,148**	$ 1,169	$ 1,063	$ 1,045	$ 849
Number of employees - Canadian Operations	**5,672**	5,915	5,715	5,482	4,921
Number of employees - International Operations	**2,253**	2,119	1,882	1,896	1,726
Average shares/units outstanding (000's)	**48,697**	48,680	48,524	48,509	48,432
Shares/Units outstanding at end of fiscal year (000's)	**48,751**	48,690	48,542	48,523	48,497
Shares/Units traded during the year (000's)	**46,269**	38,836	49,189	35,631	24,080
Financial Ratios					
EBITDA[3] (%)	**9.4**	8.5	9.0	8.4	8.5
Earnings from operations (EBIT) (%)	**6.4**	5.7	6.4	6.0	6.0
Total return on net assets[3] (%)	**17.0**	16.7	20.1	19.5	18.4
Return on average equity[3] (%)	**22.6**	18.3	21.8	20.6	19.3
Debt-to-equity	**.87:1**	.82:1	.62:1	.63:1	.61:1
Dividends/distributions as % of cash flow from operating activities	**49.0**	44.1	47.7	43.8	48.8
Inventory turnover (times per year)	**6.0**	6.0	6.1	6.2	5.7

(1) Certain 2017 amounts have been restated upon the adoption of IFRS 15 as described in Accounting Standards Implemented in 2018. Amounts prior to 2017 have not been restated.

(2) The financial results for 2009 and 2008 are reported in accordance with CGAAP and have not been restated to IFRS.

2013	2012	2011	2010	CGAAP(2) 2009	CGAAP(2) 2008	Fiscal Year ($ in thousands)
						Consolidated Statements of Earnings
$1,022,985	$1,043,050	$1,028,396	$ 978,662	$ 921,621	$ 899,263	Sales - Canadian Operations
520,140	470,596	466,740	469,442	522,745	493,371	Sales - International Operations
1,543,125	1,513,646	1,495,136	1,448,104	1,444,366	1,392,634	Sales - Total
111,225	106,510	97,998	98,781	96,599	90,606	EBITDA(3) - Canadian Operations
27,111	27,207	27,883	26,983	33,675	31,651	EBITDA(3) - International Operations
138,336	133,717	125,881	125,764	130,274	122,257	EBITDA(3) - Total Operations
29,258	29,155	28,745	27,511	26,727	24,501	Amortization - Canadian Operations
9,018	7,994	7,827	7,981	8,423	7,553	Amortization - International Operations
38,276	37,149	36,572	35,492	35,150	32,054	Amortization - Total
7,784	6,979	6,026	6,077	5,470	8,307	Interest
28,013	25,701	25,322	14,539	7,841	6,518	Income taxes
64,263	63,888	57,961	69,656	81,813	75,378	Net earnings attributable to shareholders of the Company
79,473	128,992	115,469	114,564	107,973	90,178	Cash flow from operating activities
54,229	50,320	50,797	68,700	67,245	67,730	Dividends/distributions paid during the year
43,207	51,133	46,376	37,814	45,294	46,118	Capital and intangible asset expenditures
(16,322)	11,691	(4,247)	3,953	1,548	3,998	Net change in cash
						Consolidated Balance Sheets
$ 299,071	$ 303,896	$ 295,836	$ 284,789	$ 285,843	$ 285,088	Current assets
286,875	274,027	270,370	259,583	258,928	248,856	Property and equipment
64,969	60,567	53,289	55,199	73,177	68,632	Other assets, intangible assets and goodwill
19,597	12,904	7,422	17,017	5,852	6,597	Deferred tax assets
209,738	190,184	128,002	185,377	171,946	172,216	Current liabilities
138,334	164,960	215,206	144,736	161,928	162,547	Long-term debt and other liabilities
322,440	296,250	283,709	286,475	289,926	274,410	Total equity
						Consolidated Dollar Per Share/Unit ($)(5)
$ 1.33	$ 1.32	$ 1.20	$ 1.45	$ 1.71	$ 1.58	Net earnings - basic
1.32	1.32	1.19	1.44	1.69	1.56	Net earnings - diluted
2.86	2.76	2.60	2.61	2.73	2.56	EBITDA(3),(4)
1.64	2.67	2.39	2.38	2.26	1.89	Cash flow from operating activities(4)
1.12	1.04	1.05	1.42	1.39	1.40	Dividends/distributions paid during the year(4)
6.66	6.12	5.86	5.92	6.04	5.75	Equity (basic shares/units outstanding at end of year)
25.42	23.14	19.40	21.09	17.94	16.14	Market price at January 31
						Statistics at Year End5)
178	177	183	184	180	178	Number of stores - Canadian
48	46	46	46	46	43	Number of stores - International
1,386	1,375	1,466	1,445	1,423	1,396	Selling square feet (000's) end of year - Canadian Stores
696	660	655	654	653	617	Selling square feet (000's) end of year - International Stores
$ 741	$ 734	$ 702	$ 682	$ 654	$ 651	Sales per average selling square foot - Canadian
$ 767	$ 716	$ 713	$ 718	$ 752	$ 723	Sales per average selling square foot - International
4,839	4,768	5,233	5,301	5,358	5,408	Number of employees - Canadian Operations
1,853	1,568	1,668	1,601	1,545	1,339	Number of employees - International Operations
48,413	48,384	48,378	48,180	47,799	47,718	Average shares/units outstanding (000's)
48,426	48,389	48,378	48,378	48,017	47,722	Shares/Units outstanding at end of fiscal year (000's)
17,623	17,831	22,418	24,814	20,080	16,402	Shares/Units traded during the year (000's)
						Financial Ratios
9.0	8.8	8.4	8.7	9.0	8.8	EBITDA(3) (%)
6.5	6.4	6.0	6.2	6.6	6.5	Earnings from operations (EBIT) (%)
20.0	20.6	18.5	17.9	18.7	19.8	Total return on net assets(3) (%)
21.0	22.1	20.1	24.1	29.3	28.6	Return on average equity(3) (%)
.57:1	.55:1	.62:1	.67:1	.72:1	.78:1	Debt-to-equity
68.2	39.0	44.0	60.0	62.3	75.1	Dividends/distributions as % of cash flow from operating activities
5.6	5.8	5.7	5.6	5.6	5.8	Inventory turnover (times per year)

(3) See Non-GAAP financial measures on page 30.

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

(5) 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 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 10, 2019

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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at January 31, 2019 and 2018;
- 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 a summary of significant accounting policies.

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.

Other information
Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or 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 on the other information that we obtained prior to the date of this auditor's report, 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. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

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

PricewaterhouseCoopers LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
WINNIPEG, MANITOBA

April 10, 2019

Consolidated Balance Sheets

($ in thousands)	January 31, 2019	January 31, 2018
CURRENT ASSETS		
Cash	**$ 38,448**	$ 25,160
Accounts receivable (Note 5)	**90,323**	80,765
Inventories (Note 6)	**236,317**	222,072
Prepaid expenses	**11,741**	7,006
	376,829	335,003
NON-CURRENT ASSETS		
Property and equipment (Note 7)	**514,946**	469,993
Goodwill (Note 8)	**45,203**	41,231
Intangible assets (Note 8)	**39,199**	37,628
Deferred tax assets (Note 9)	**32,909**	34,450
Other assets (Note 10)	**13,835**	12,643
	646,092	595,945
TOTAL ASSETS	**$ 1,022,921**	$ 930,948
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 175,726**	$ 170,166
Current portion of long-term debt (Note 11)	**900**	—
Income tax payable (Note 9)	**255**	1,046
	176,881	171,212
NON-CURRENT LIABILITIES		
Long-term debt (Note 11)	**365,857**	313,549
Defined benefit plan obligation (Note 12)	**28,969**	34,095
Deferred tax liabilities (Note 9)	**9,007**	6,468
Other long-term liabilities	**21,103**	23,468
	424,936	377,580
TOTAL LIABILITIES	**601,817**	548,792
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	**173,681**	172,619
Contributed surplus	**3,530**	2,570
Retained earnings	**211,191**	181,844
Accumulated other comprehensive income	**20,132**	12,918
Equity attributable to The North West Company Inc.	**408,534**	369,951
Non-controlling interests	**12,570**	12,205
TOTAL EQUITY	**421,104**	382,156
TOTAL LIABILITIES & EQUITY	**$ 1,022,921**	$ 930,948

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors

"Eric L. Stefanson, FCPA, FCA"
DIRECTOR

"H. Sanford Riley"
DIRECTOR

Consolidated Statements of Earnings

($ in thousands, except per share amounts)	**Year Ended January 31, 2019**	Year Ended January 31, 2018[1]
SALES	**$ 2,013,486**	$ 1,985,122
Cost of sales	**(1,372,943)**	(1,360,381)
Gross profit	**640,543**	624,741
Selling, operating and administrative expenses (Notes 16, 17)	**(510,635)**	(510,770)
Earnings from operations	**129,908**	113,971
Interest expense (Note 18)	**(13,965)**	(10,145)
Earnings before income taxes	**115,943**	103,826
Income taxes (Note 9)	**(25,311)**	(34,135)
NET EARNINGS FOR THE YEAR	**$ 90,632**	$ 69,691
NET EARNINGS ATTRIBUTABLE TO		
The North West Company Inc.	**86,748**	67,154
Non-controlling interests	**3,884**	2,537
TOTAL NET EARNINGS	**90,632**	69,691
NET EARNINGS PER SHARE (Note 20)		
Basic	**$ 1.78**	$ 1.38
Diluted	**$ 1.77**	$ 1.36
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)		
Basic	**48,697**	48,680
Diluted	**49,144**	49,275

(1) Certain prior period figures have been reclassified as described in Note 3.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

($ in thousands)	Year Ended January 31, 2019	Year Ended January 31, 2018
NET EARNINGS FOR THE YEAR	**$ 90,632**	$ 69,691
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified to net earnings:		
Exchange differences on translation of foreign controlled subsidiaries	**8,049**	(7,934)
Items that will not be subsequently reclassified to net earnings:		
Remeasurements of defined benefit plans (Note 12)	**4,952**	1,175
Remeasurements of defined benefit plan of equity investee	**(24)**	(173)
Total other comprehensive income/(loss), net of tax	**12,977**	(6,932)
COMPREHENSIVE INCOME FOR THE YEAR	**$ 103,609**	$ 62,759
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO		
The North West Company Inc.	**$ 12,142**	$ (6,932)
Non-controlling interests	**835**	—
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	**$ 12,977**	$ (6,932)
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
The North West Company Inc.	**$ 98,890**	$ 60,222
Non-controlling interests	**4,719**	2,537
TOTAL COMPREHENSIVE INCOME	**$ 103,609**	$ 62,759

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, 2018	$ 172,619	$ 2,570	$ 181,844	$ 12,918	$ 369,951	$ 12,205	$ 382,156
Net earnings for the year	—	—	86,748	—	86,748	3,884	90,632
Other comprehensive income	—	—	4,952	7,214	12,166	835	13,001
Other comprehensive income/(loss) of equity investee	—	—	(24)	—	(24)	—	(24)
Comprehensive income	—	—	91,676	7,214	98,890	4,719	103,609
Acquisition non-controlling interests	—	—	—	—	—	(400)	(400)
Equity settled share-based payments (Note 13)	—	2,022	—	—	2,022	—	2,022
Dividends (Note 19)	—	—	(62,329)	—	(62,329)	(3,954)	(66,283)
Issuance of common shares (Note 15)	1,062	(1,062)	—	—	—	—	—
	1,062	960	(62,329)	—	(60,307)	(4,354)	(64,661)
Balance at January 31, 2019	**$173,681**	**$ 3,530**	**$211,191**	**$20,132**	**$408,534**	**$ 12,570**	**$421,104**
Balance at January 31, 2017	$ 168,283	$ 2,647	$ 176,003	$ 20,852	$ 367,785	$ —	$ 367,785
Net earnings for the year	—	—	67,154	—	67,154	2,537	69,691
Other comprehensive income/(loss)	—	—	1,175	(7,934)	(6,759)	—	(6,759)
Other comprehensive income/(loss) of equity investee	—	—	(173)	—	(173)	—	(173)
Comprehensive income	—	—	68,156	(7,934)	60,222	2,537	62,759
Acquisition of subsidiary with non-controlling interest (Note 24)	—	—	—	—	—	12,150	12,150
Equity settled share-based payments (Note 13)	—	259	—	—	259	—	259
Dividends (Note 19)	—	—	(62,315)	—	(62,315)	(2,482)	(64,797)
Issuance of common shares (Note 15)	4,336	(336)	—	—	4,000	—	4,000
	4,336	(77)	(62,315)	—	(58,056)	9,668	(48,388)
Balance at January 31, 2018	$ 172,619	$ 2,570	$ 181,844	$ 12,918	$ 369,951	$ 12,205	$ 382,156

(1) Accumulated Other Comprehensive Income

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

($ in thousands)	**Year Ended January 31, 2019**	Year Ended January 31, 2018
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings for the year	**$ 90,632**	$ 69,691
Adjustments for:		
Amortization (Note 7, 8)	**59,435**	55,653
Provision for income taxes (Note 9)	**25,311**	34,135
Interest expense (Note 18)	**13,965**	10,145
Equity settled share option expense (Note 13)	**2,022**	259
Gain on partial insurance settlement (Note 16)	**(16,955)**	—
Taxes paid	**(26,446)**	(36,213)
Loss on disposal of property and equipment	**1,232**	552
	149,196	134,222
Change in non-cash working capital	**(20,792)**	2,271
Change in other non-cash items	**(1,284)**	4,926
Cash from operating activities	**127,120**	141,419
Investing activities		
Purchase of property and equipment (Note 7)	**(93,555)**	(114,948)
Business acquisitions (Note 24)	**(400)**	(51,204)
Intangible asset additions (Note 8)	**(9,664)**	(7,087)
Proceeds from disposal of property and equipment	**4,033**	370
Proceeds from interim insurance settlement on property and equipment	**18,793**	7,008
Cash used in investing activities	**(80,793)**	(165,861)
Financing activities		
Debt issuance (Note 11)	**—**	100,000
Net increase/(decrease) in long-term debt (Note 11)	**44,785**	(9,092)
Dividends (Note 19)	**(62,329)**	(62,315)
Dividends to non-controlling interests (Note 19)	**(3,954)**	(2,482)
Interest paid	**(12,254)**	(6,183)
Cash (used in)/from financing activities	**(33,752)**	19,928
Effect of changes in foreign exchange rates on cash	**713**	(569)
NET CHANGE IN CASH	**13,288**	(5,083)
Cash, beginning of year	**25,160**	30,243
CASH, END OF YEAR	**$ 38,448**	$ 25,160

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
JANUARY 31, 2019 AND 2018

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

In 2017, the Company acquired 76% of the outstanding shares of Roadtown Wholesale Trading Ltd. (RTW), operating primarily as Riteway Food Markets in the British Virgin Islands. The Company also acquired 100% of the outstanding common shares of North Star Air Ltd., a Thunder Bay based airline providing cargo and passenger services within northwestern Ontario, Canada. See Note 24 for a discussion of these acquisitions.

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 10, 2019.

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 13)
- Defined benefit pension plan (Note 12)
- Assets and liabilities acquired in a business combination (Note 24)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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 primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories on a first-in, first-out basis. Cost includes the cost to purchase goods net of vendor allowances plus other costs incurred in bringing inventories to their present location and condition. Net realizable value is estimated based on the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices due to obsolescence, damage or seasonality.

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

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

(F) Property and Equipment Property and equipment are stated at cost less accumulated amortization and any impairment losses. Cost includes any directly attributable costs, borrowing costs on qualifying construction projects, and the costs of dismantling and removing the items and restoring the site on which they are located. When major components of an item of property and equipment have different useful lives, they are accounted for as separate items. Amortization 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. The goodwill asset balance largely relates to the Company's acquired subsidiary, Cost-U-Less, and is allocated to the International Operations operating segment.

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

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

(H) Leases Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are accounted for as operating leases. Assets leased under operating leases are not recorded on the consolidated balance sheets. Rental payments are recorded in selling, operating and administrative expenses in the consolidated statements of earnings. Lease incentives received are recognized as part of the total lease expense, over the term of the lease.

Leases in which the Company has substantially all of the risks and rewards of ownership are accounted for as finance leases. At commencement, finance leases are capitalized at the lower of the fair value of the leased property and the present value of minimum lease payments, and are recorded in property and equipment on the consolidated balance sheets. Finance lease liabilities are recorded in long-term debt and are reduced by the amount of the lease payment net of imputed interest (finance charges).

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

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

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

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

Intangible assets with indefinite lives comprise the Cost-U-Less and RTW 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 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 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 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 provide or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liabilities 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 and other financial assets are classified as amortized cost. Interest revenue, consisting primarily of service charge income on customer accounts receivable, is 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. 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. Certain receivables are also individually assessed for lifetime expected credit losses.

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 and accrued 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 is 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 shares issued under the Share Option 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 financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies, the reported amounts of revenues and expenses during the reporting period and disclosure of contingent assets and liabilities in the consolidated financial statements and notes. Judgment has been used in the application of accounting policy and to determine if a transaction should be recognized or disclosed in these financial statements while estimates and assumptions have been used to measure balances recognized or disclosed.

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

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

- Allowance for doubtful accounts is estimated based on 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, 14)
- Inventories are remeasured based on the lower of cost and net realizable value (Note 6)
- Amortization methods for property and equipment, including aircraft, 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 (Note 7)
- 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 (Note 24)
- 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 (Notes 8, 24)
- Income taxes have judgment applied to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions (Note 9)
- Defined benefit pension plan obligation and expense depends on assumptions used in the actuarial valuation (Note 12)

(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.

(W) New Standards Implemented The Company adopted the amendments to IAS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts* with Customers and the amended IFRS 2 *Share-based payments* effective February 1, 2018, as required by the IASB.

Financial Instruments The amended IFRS 9 *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. The standard establishes new principles for:

Classification and measurement. IFRS 9 uses a single approach to determine measurement of financial assets by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

The Company implemented the new requirements for classification and measurement, including impairment, retrospectively with any cumulative effects of initial application recorded in opening retained earnings. The adoption of IFRS 9 did not result in any measurement adjustments to financial assets and liabilities. The adoption of IFRS 9 did result in certain classification changes, as summarized in the table below.

Asset/Liability	New Classification under IFRS 9
Cash	Amortized cost[1]
Accounts receivable	Amortized cost[1]
Other financial assets	Amortized cost[1]
Accounts payable and accrued liabilities	Amortized cost[2]
Current portion of long-term debt	Amortized cost[2]
Long-term debt	Amortized cost[2]

(1) Previously classified as loans and receivables under IAS 39
(2) Classified as financial liabilities at amortized cost under IAS 39

Financial assets are not reclassified subsequent to their initial recognition, unless the Company identifies changes in its business model requiring reassessment. Financial assets are subsequently measured at amortized cost if both of the following conditions are met and they are not designated as FVTPL:

- financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment. Measurement gains or losses are recognized in net earnings in the period when the asset is decrecognized or impaired.

"Expected credit loss" impairment model As at January 31, 2018 and thereafter the Company applied a new forward-looking lifetime expected credit loss ("ECL") impairment model to its accounts receivable under IFRS 9. The change in ECL's is recognized in earnings and reflected as an allowance against accounts receivable. The Company adopted the practical expedient to determine ECL's using a provision matrix 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. Adoption of the revised ECL based provision matrix resulted in an insignificant measurement adjustment to the Company's accounts receivable. Certain receivables are also individually assessed for lifetime expected credit losses.

Prior to January 31, 2018 a financial asset was considered to be impaired if objective evidence indicated that one or more events had a negative effect on the estimated future cash flows of that asset. An impairment loss was calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at their original effective interest rate.

Revenue from Contracts with Customers The IFRS 15 *Revenue from Contracts with Customers* standard contains a comprehensive model which specifies the criteria and timing for recognizing revenue, and also requires additional disclosures in the notes to the financial statements. The core principle of the standard is that revenue is recognized to depict the transfer of promised goods or services to the customer at an amount that reflects the consideration to which the Company is entitled. A contract based five step analysis of transactions is used to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced.

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 accounts receivable are accrued each month on balances outstanding at each account's billing date.

The Company adopted the standard retrospectively with the restatement of comparative periods. As a result of these changes certain commissions and service fees previously included in selling, operating and administrative expenses are now presented in sales and cost of sales. These changes had no impact on earnings from operations, net earnings or retained earnings previously reported. The impact of this change on the comparative period is as follows:

Revenue from Contracts with Customers, continued

	Year Ended January 31, 2018 (Previously Reported)	IFRS 15 Amendment	**Year Ended January 31, 2018 (Revised)**
SALES	$ 1,953,743	$ 31,379	**$ 1,985,122**
Cost of sales	(1,367,657)	7,276	**(1,360,381)**
Gross profit	586,086	38,655	**624,741**
Selling, operating and administrative expenses	(472,115)	(38,655)	**(510,770)**
Earnings from operations	$ 113,971	$ —	**$ 113,971**

(W) New Standards implemented (continued)

Share-based payments The amendments to IFRS 2 *Share-based payments* are in relation to the classification and measurement of share-based payment transactions, specifically, accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based transactions. The adoption of these amendments did not result in any measurement adjustments to the liability for share-based payments.

(X) Future Standards and Amendments A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2019, and have not been applied in preparing these consolidated financial statements.

Leases IFRS 16 *Leases* replaces the current guidance in IAS 17 for operating and finance lease accounting. This standard requires lessees to recognize a lease liability representing the obligation for future lease payments and a right-of-use asset in the consolidated balance sheets for substantially all lease contracts, initially measured at the present value of unavoidable lease payments. Purchase, renewal and termination options which are reasonably certain of being exercised are also included in the measurement of the lease liability. Lease payment liabilities will not include variable lease payments.

Under the new standard the Company will recognize new right-of-use assets and lease liabilities for its operating leases of land, buildings and equipment. In addition, the nature and timing of leasing expenses will change as operating lease expenses recorded in cost of sales and selling, operating and administrative expenses are replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Company plans to apply IFRS 16 on February 1, 2019 using the full retrospective approach with restatement of the comparative period financial statements. The cumulative effect of the initial application will be recorded by restating opening retained earnings at February 1, 2018.

The Company continues to execute its detailed implementation plan. The portfolio of leases has been identified and the leasing information required to support the change in accounting standards has been summarized for each lease. The Company has configured its accounting system to account for leases under IFRS 16 and populated the detailed lease data. Processes and controls are being modified and training is being conducted to support the implementation. The Company is continuing to evaluate the impact of these changes on its consolidated financial statements, technology, processes and internal controls.

The implementation of this accounting standard will have a material impact on the consolidated financial statements with increases in total assets and long-term liabilities. Any difference between the recognition of right-of-use assets and lease liabilities will be recognized in retained earnings.

Based on the information available at April 10, 2019, the Company estimates that it will record a right-of-use asset of approximately $112,000 to $121,000 and a corresponding lease liability of $124,000 to $133,000 with the difference between the right-of-use asset and lease liability, net of the deferred tax impact, recorded in opening retained earnings at February 1, 2018. The actual impact of the initial application of IFRS 16 may vary from this estimate as critical accounting estimates and judgments are subject to change until the Company issues its April 30, 2019 first quarter report to shareholders.

Uncertainty over Income Tax Treatments In June 2017, the IASB issued IFRIC Interpretation 23. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company will adopt IFRIC 23 for the annual period beginning February 1, 2019 and it is not expected to have a material impact on the Company.

Annual Improvements In December 2017, the IASB issued amendments effective for the Company February 1, 2019. A summary of these amendments is as follows:

- IFRS 3 *Business Combinations* clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 *Income Taxes* specifies that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits (i.e. in net earnings, other comprehensive income or equity); and
- IAS 23 *Borrowing Costs* clarifies that specific borrowings to finance the construction of a qualifying asset should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The adoption of these amendments are not expected to have a material impact on the Company.

Post-Employment Benefits In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits*. The amendments require a company to update its assumptions for the remainder of the reporting period after a plan change. Amendments have also been included clarifying the effect of a plan amendment on the asset ceiling. The amendments are effective for the Company February 1, 2019 and are not expected to have a material impact on the Company.

Definition of Material In May 2017, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These amendments clarified the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make. The amendments are effective for the Company February 1, 2020 and are required to be applied prospectively. The implementation of these amendments is not expected to have a significant impact on the Company.

There are no other 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 and western 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, 2019**	January 31, 2018
Sales[(1)]		
Canada		
Food	**$ 825,668**	$ 822,158
General merchandise and other	**420,465**	377,315
Canada	**$ 1,246,133**	$ 1,199,473
International		
Food	**$ 679,215**	$ 699,632
General merchandise and other	**88,138**	86,017
International	**767,353**	785,649
Consolidated	**$ 2,013,486**	$ 1,985,122
Earnings before amortization, interest and income taxes		
Canada	**$ 114,215**	$ 112,393
International	**75,128**	57,231
Consolidated	**$ 189,343**	$ 169,624
Earnings from operations		
Canada	**$ 70,099**	$ 72,597
International	**59,809**	41,374
Consolidated	**$ 129,908**	$ 113,971

(1) Prior period sales figures have been reclassified as described in Note 3.

Supplemental Information

	January 31, 2019	January 31, 2018
Assets		
Canada	**$ 684,550**	$ 634,399
International	**338,371**	296,549
Consolidated	**$ 1,022,921**	$ 930,948

Canadian total assets includes goodwill of $8,357 (January 31, 2018 – $6,730). International total assets includes goodwill of $36,846 (January 31, 2018 – $34,501).

Year Ended	**January 31, 2019**		January 31, 2018	
	Canada	**Int'l**	Canada	Int'l
Purchase of property and equipment	**$ 68,639**	**$ 24,916**	$ 92,313	$ 22,635
Amortization	**$ 44,116**	**$ 15,319**	$ 39,796	$ 15,857

5. ACCOUNTS RECEIVABLE

	January 31, 2019	January 31, 2018
Trade accounts receivable	**$ 85,872**	$ 80,374
Corporate and other accounts receivable	**22,412**	16,322
Less: allowance for doubtful accounts	**(17,961)**	(15,931)
	$ 90,323	$ 80,765

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 14. 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, 2019	January 31, 2018
Balance, beginning of year	**$ (15,931)**	$ (14,384)
Net charge	**(10,337)**	(9,972)
Written off	**8,307**	8,425
Balance, end of year	**$ (17,961)**	$ (15,931)

6. INVENTORIES

Retail inventories are valued at the lower of cost and net realizable value. Valuing retail inventories requires the Company to use estimates related to: adjusting to cost inventories valued at retail; future retail sales prices and reductions; and inventory losses during periods between the last physical count and the balance sheet date. Included in cost of sales for the year ended January 31, 2019, the Company recorded $1,522 (January 31, 2018 – $1,335) 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, 2019 or 2018.

7. PROPERTY & EQUIPMENT

January 31, 2019	Land	Buildings	Leasehold improvements	Fixtures & equipment	Aircraft	Computer equipment	Construction in process	Total
Cost								
Balance, beginning of year	$ 17,101	$ 468,951	$ 73,774	$ 322,153	$ 81,530	$ 77,252	$ 22,592	$1,063,353
Additions	381	44,417	3,803	22,212	6,390	7,731	8,621	93,555
Disposals	(11)	(2,680)	(2,091)	(4,894)	(3,346)	(8,078)	—	(21,100)
Effect of movements in foreign exchange	621	9,429	1,436	7,173	—	955	483	20,097
Total January 31, 2019	$ 18,092	$ 520,117	$ 76,922	$ 346,644	$ 84,574	$ 77,860	$ 31,696	$1,155,905
Accumulated amortization								
Balance, beginning of year	$ —	$ 258,810	$ 41,457	$ 222,808	$ 2,541	$ 67,744	$ —	$ 593,360
Amortization expense	—	20,304	4,985	18,247	7,129	1,504	—	52,169
Disposals	—	(2,226)	(1,249)	(3,960)	(273)	(7,980)	—	(15,688)
Effect of movements in foreign exchange	—	4,227	871	5,178	—	842	—	11,118
Total January 31, 2019	$ —	$ 281,115	$ 46,064	$ 242,273	$ 9,397	$ 62,110	$ —	$ 640,959
Net book value January 31, 2019	$ 18,092	$ 239,002	$ 30,858	$ 104,371	$ 75,177	$ 15,750	$ 31,696	$ 514,946

January 31, 2018	Land	Buildings	Leasehold improvements	Fixtures & equipment	Aircraft	Computer equipment	Construction in process	Total
Cost								
Balance, beginning of year	$ 16,367	$ 442,041	$ 69,735	$ 309,155	$ —	$ 74,298	$ 11,607	$ 923,203
Additions through business acquisitions (Note 24)	975	27,760	32	6,249	26,332	1,773	—	63,121
Additions	308	15,937	7,253	22,439	55,198	2,317	11,496	114,948
Disposals	—	(8,531)	(2,056)	(9,623)	—	(240)	—	(20,450)
Effect of movements in foreign exchange	(549)	(8,256)	(1,190)	(6,067)	—	(896)	(511)	(17,469)
Total January 31, 2018	$ 17,101	$ 468,951	$ 73,774	$ 322,153	$ 81,530	$ 77,252	$ 22,592	$1,063,353
Accumulated amortization								
Balance, beginning of year	$ —	$ 246,054	$ 37,952	$ 216,196	$ —	$ 64,880	$ —	$ 565,082
Amortization expense	—	20,997	5,184	18,299	2,541	3,640	—	50,661
Disposals	—	(4,813)	(931)	(6,552)	—	(224)	—	(12,520)
Effect of movements in foreign exchange	—	(3,428)	(748)	(5,135)	—	(552)	—	(9,863)
Total January 31, 2018	$ —	$ 258,810	$ 41,457	$ 222,808	$ 2,541	$ 67,744	$ —	$ 593,360
Net book value January 31, 2018	$ 17,101	$ 210,141	$ 32,317	$ 99,345	$ 78,989	$ 9,508	$ 22,592	$ 469,993

The Company reviews its property and equipment for indicators of impairment. During the prior year ended January 31, 2018 the Company wrote-off assets with a net book value of $7,008 due to the impact of hurricanes in the Caribbean which were reimbursed by insurance proceeds. There were no significant financial write-off's due to store fires and no assets were identified as impaired at January 31, 2019 and 2018.

Interest capitalized

Interest attributable to the construction of qualifying assets was capitalized using an average rate of 3.8% and 3.4% for the years ended January 31, 2019 and 2018 respectively. Interest capitalized in additions amounted to $374 (January 31, 2018 – $502). Accumulated interest capitalized in the cost total above amounted to $2,652 (January 31, 2018 – $2,278).

8. GOODWILL & INTANGIBLE ASSETS

Goodwill

	January 31, 2019	January 31, 2018
Balance, beginning of year	**$ 41,231**	$ 37,752
Additions	**1,627**	5,544
Effect of movements in foreign exchange	**2,345**	(2,065)
Balance, end of year	**$ 45,203**	$ 41,231

Goodwill Impairment Testing

A goodwill asset balance of $36,846 (January 31, 2018 – $34,501) relates to acquisition of subsidiaries by the Company's International Operations. A goodwill asset balance of $8,357 (January 31, 2018 – $6,730) 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 is the greater of its value in use or its fair value less costs of disposal.

The recoverable amount was estimated from the product of financial performance and trading multiples observed for comparable public 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 comparable companies;
- Costs to sell have been estimated as a fixed percentage of enterprise value. This is consistent with the approach of an independent market participant.

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

Intangible assets

January 31, 2019	Software	Store banners	Other	Total
Cost				
Balance, beginning of year	$ 54,662	$ 9,461	$ 9,817	$ 73,940
Additions	7,502	—	535	8,037
Effect of movements in foreign exchange	—	642	202	844
Total January 31, 2019	$ 62,164	$ 10,103	$ 10,554	$ 82,821
Accumulated Amortization				
Balance, beginning of year	$ 29,271	$ —	$ 7,041	$ 36,312
Amortization expense	6,481	—	785	7,266
Effect of movements in foreign exchange	—	—	44	44
Total January 31, 2019	$ 35,752	$ —	$ 7,870	$ 43,622
Net book value January 31, 2019	**$ 26,412**	**$ 10,103**	**$ 2,684**	**$ 39,199**

Intangible assets

January 31, 2018	Software	Store banners	Other	Total
Cost				
Balance, beginning of year	$ 47,605	$ 9,121	$ 9,981	$ 66,707
Additions	7,057	909	30	7,996
Effect of movements in foreign exchange	—	(569)	(194)	(763)
Total January 31, 2018	$ 54,662	$ 9,461	$ 9,817	$ 73,940
Accumulated Amortization				
Balance, beginning of year	$ 24,837	$ —	$ 6,476	$ 31,313
Amortization expense	4,434	—	558	4,992
Effect of movements in foreign exchange	—	—	7	7
Total January 31, 2018	$ 29,271	$ —	$ 7,041	$ 36,312
Net book value January 31, 2018	**$ 25,391**	**$ 9,461**	**$ 2,776**	**$ 37,628**

Work in process

As at January 31, 2019, the Company had incurred $13,271 (January 31, 2018 – $11,762) 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.

9. INCOME TAXES

The following are the major components of income tax expense:

Year Ended	January 31, 2019	January 31, 2018
Current tax expense:		
Current tax on earnings for the year	**$ 24,522**	$ 35,985
Withholding taxes	**761**	991
Over provision in prior years	**(2,181)**	(354)
	$ 23,102	$ 36,622
Deferred tax expense:		
Origination and reversal of temporary differences	**$ 300**	$ (4,723)
Impact of change in tax rates	**(133)**	1,791
Under provision in prior years	**2,042**	445
	$ 2,209	$ (2,487)
Income taxes	**$ 25,311**	$ 34,135

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, 2019	January 31, 2018
Earnings before income taxes	**$115,943**	$103,826
Combined statutory income tax rate	**21.8%**	26.5%
Expected income tax expense	**$ 25,231**	$ 27,561
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses/ non-taxable income	**$ 22**	$ (330)
Unrecognized income tax losses	**422**	76
Withholding taxes	**761**	991
Impact of change in tax rates	**(133)**	1,791
Transition tax	**(771)**	4,008
(Over)/under provision in prior years	**(139)**	91
Other	**(82)**	(53)
Provision for income taxes	**$ 25,311**	$ 34,135
Income tax rate	**21.8%**	32.9%

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

In December 2017, new corporate tax legislation was enacted in the United States which reduced the federal corporate tax rate from 35% to 21% effective January 1, 2018. There was also a one-time transition tax introduced on undistributed accumulated earnings in foreign owned subsidiaries. For the year-ended January 31, 2018, these changes resulted in an estimated income tax expense of $5,835, comprised of $1,827 for the re-measurement of deferred tax assets and liabilities and $4,008 for transition tax related to certain of the Company's subsidiaries.

For the year-ended January 31, 2019 the estimated transition tax of $4,008 was reduced to $3,237 based on additional information and interpretations from the U.S. Department of the Treasury became available.

Deferred tax assets of $3,900 arising from certain foreign income tax losses were not recognized on the consolidated balance sheets. The income tax losses expire from 2022 – 2036.

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

Year Ended	January 31, 2019	January 31, 2018
Defined benefit plan actuarial gain / (loss):		
Origination and reversal of temporary difference	**$ 1,828**	$ 430
Impact of change in tax rates	**5**	(12)
	$ 1,833	$ 418
Investments:		
Origination and reversal of temporary difference	**$ —**	$ (27)
	$ —	$ (27)
	$ 1,833	$ 391

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

January 31, 2019	February 1, 2018	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Other adjustments	January 31, 2019
Deferred tax assets:					
Property & equipment	$ 17,660	$ (354)	$ —	$ 98	**$ 17,404**
Inventory	1,993	(346)	—	89	**1,736**
Share-based compensation and long-term incentive plans	4,003	205	—	20	**4,228**
Defined benefit plan obligation	9,236	443	(1,833)		**7,846**
Accrued liabilities	4,603	468	—	174	**5,245**
Other	412	885	—	17	**1,314**
	$ 37,907	$ 1,301	$ (1,833)	$ 398	**$ 37,773**
Deferred tax liabilities:					
Goodwill & intangible assets	$ (643)	$ (147)	$ —	$ (44)	**$ (834)**
Property & equipment	(6,012)	(3,053)	—	(116)	**(9,181)**
Investment in joint venture	(1,109)	(21)	—	—	**(1,130)**
Other	(2,161)	(289)	—	(276)	**(2,726)**
	$ (9,925)	$ (3,510)	$ —	$ (436)	**$ (13,871)**
	$ 27,982	$ (2,209)	$ (1,833)	$ (38)	**$ 23,902**

Recorded on the consolidated balance sheet as follows:

Year Ended	January 31, 2019	January 31, 2018
Deferred tax assets	**$ 32,909**	$ 34,450
Deferred tax liabilities	**(9,007)**	(6,468)
	$ 23,902	$ 27,982

January 31, 2018	February 1, 2017	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Acquired in business combinations	Other adjustments	January 31, 2018
Deferred tax assets:						
Goodwill & intangible assets	$ 672	$ (672)	$ —	$ —	$ —	**$ —**
Property & equipment	15,971	1,781	—	—	(92)	**17,660**
Inventory	2,477	(401)	—	—	(83)	**1,993**
Share-based compensation and long-term incentive plans	3,746	276	—	—	(19)	**4,003**
Defined benefit plan obligation	9,182	472	(418)	—	—	**9,236**
Accrued expenses not deductible for tax	4,464	286	—	—	(147)	**4,603**
Other	(912)	1,330	—	—	(6)	**412**
	$ 35,600	$ 3,072	$ (418)	$ —	$ (347)	**$ 37,907**
Deferred tax liabilities:						
Goodwill & intangible assets	$ (1,077)	$ 393	$ —	$ —	$ 41	**$ (643)**
Property & equipment	—	(1,817)	—	(4,272)	77	**(6,012)**
Net investment hedge	(97)	—	—	—	97	**—**
Investment in joint venture	(1,370)	234	27	—	—	**(1,109)**
Deferred limited partnership earnings	(2,597)	2,597	—	—	—	**—**
Other	(267)	(1,992)	—	(1)	99	**(2,161)**
	$ (5,408)	$ (585)	$ 27	$ (4,273)	$ 314	**$ (9,925)**
	$ 30,192	$ 2,487	$ (391)	$ (4,273)	$ (33)	**$ 27,982**

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 $122,776 at January 31, 2019 (January 31, 2018 – $103,736).

10. OTHER ASSETS

	January 31, 2019	January 31, 2018
Investment in joint venture (Note 23)	**$ 10,375**	$ 9,294
Other	**3,460**	3,349
	$ 13,835	$ 12,643

11. LONG-TERM DEBT

	January 31, 2019	January 31, 2018
Current:		
Promissory note payable	**$ 900**	$ —
	$ 900	$ —
Non-current		
Revolving loan facilities [1]	**$ —**	$ 1,776
Revolving loan facilities [2]	**36,700**	34,365
Revolving loan facilities [3]	**134,791**	91,108
Revolving loan facilities [4]	**—**	—
Revolving loan facilities [5]	**—**	540
Senior notes [6]	**91,666**	85,760
Senior notes [7]	**100,000**	100,000
Promissory note payable [8]	**2,700**	—
	$ 365,857	$ 313,549
Total	**$ 366,757**	$ 313,549

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US$40,000 for working capital requirements and general business purposes. This facility matures October 31, 2020, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2019, the International Operations had drawn US$NIL (January 31, 2018 – US$1,444) 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 loan facilities are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes, the $100,000 senior notes and the $300,000 Canadian Operations loan facilities. At January 31, 2019, the Company had drawn US$27,936 (January 31, 2018 – 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, the $100,000 senior notes 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 revolving U.S. loan facility provides the International Operations with up to US$1,500 for Roadtown Wholesale Trading Ltd.'s (RTW) working capital requirements and general business purposes. This facility bears a floating rate of interest based on a U.S. dollar base rate plus a spread and is secured by certain assets of RTW.

(5) The Canadian Operations also have a $2,375 revolving loan facility to meet North Star Air Ltd's. (NSA) working capital requirements and for general business purposes. This facility bears a floating rate of interest and is secured by the assets of NSA.

(6) 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 and the US$52,000 loan facilities.

(7) 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 and the US$52,000 loan facilities.

(8) The Promissory Note Payable in the amount of $3,600 is non-interest bearing, has annual principal payments of $900 and is secured by certain assets of the Company.

12. POST-EMPLOYMENT BENEFITS

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

The defined benefit pension plans are based on years of service and final average salary. The Company uses actuarial reports prepared by independent actuaries for accounting purposes as at January 31, 2019 and January 31, 2018. The accrued pension benefits and funding requirements were last determined by actuarial valuation as at December 31, 2017. The next actuarial valuation is required as at December 31, 2018. 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, 2019, the Company contributed $2,317 to its defined benefit pension plans (January 31, 2018 – $3,487). During the year ended January 31, 2019, the Company contributed $3,435 to its defined contribution pension plans (January 31, 2018 – $3,129). The current best estimate of the Company's funding obligation for the defined benefit pension plans for the year commencing February 1, 2019 is $2,775. 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, 2019	January 31, 2018
Plan assets:		
Fair value, beginning of year	**$ 84,337**	$ 78,280
Accrued interest on assets	**2,908**	3,075
Benefits paid	**(3,988)**	(4,612)
Plan administration costs	**(459)**	(388)
Employer contributions	**2,317**	3,487
Employee contributions	**8**	9
Return on assets greater than discount rate	**542**	4,486
Fair value, end of year	**$ 85,665**	$ 84,337
Plan obligations:		
Defined benefit obligation, beginning of year	**$ (118,432)**	$ (112,358)
Current service costs	**(3,016)**	(3,387)
Employee contributions	**(8)**	(9)
Interest on plan liabilities	**(4,070)**	(4,397)
Benefits paid	**4,649**	4,612
Actuarial remeasurement due to:		
Plan experience	**1,646**	6,599
Financial assumptions	**4,597**	(9,492)
Defined benefit obligation, end of year	**$ (114,634)**	$ (118,432)
Plan deficit	**$ (28,969)**	$ (34,095)

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, 2019	January 31, 2018
Discount rate on plan liabilities	**3.75%**	3.50%
Rate of compensation increase	**4.00%**	4.00%
Discount rate on plan expense	**3.50%**	4.00%
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 15.8 years (January 31, 2018 – 17.1 years).

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

	January 31, 2019	January 31, 2018
Average life expectancies at age 65 for current pensioners:		
Male	**21.3**	21.3
Female	**23.8**	23.8
Average life expectancies at age 65 for current members aged 45:		
Male	**22.5**	22.5
Female	**24.9**	24.9

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. For the years ended January 31, 2019 and 2018, 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	$ (15,904)	$ (1,003)
	1% decrease	$ 20,211	$ 960

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, 2019	January 31, 2018
Plan assets:		
Canadian equities (pooled)	**17%**	17%
Global equities (pooled)	**38%**	41%
Real estate equities (pooled)	**9%**	9%
Debt securities	**36%**	33%
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, 2019	January 31, 2018
Employee costs (Note 17)		
Defined benefit pension plan, current service costs included in post-employment benefits	**$ 3,016**	$ 3,387
Plan administration costs	**459**	388
Defined contribution pension plan	**3,435**	3,129
Savings plan for U.S. employees	**1,389**	1,168
	$ 8,299	$ 8,072
Interest expense (Note 18)		
Accrued interest on assets	**$ (2,908)**	$ (3,075)
Interest on plan liabilities	**4,070**	4,397
	$ 1,162	$ 1,322

The following amounts have been included in other comprehensive income:

	January 31, 2019	January 31, 2018
Current Year:		
Return on assets greater than discount rate	**$ 542**	$ 4,486
Actuarial remeasurement due to:		
Plan experience	**1,646**	6,599
Financial assumptions	**4,597**	(9,492)
Taxes on actuarial remeasurement in OCI	**(1,833)**	(418)
Net actuarial remeasurement recognized in OCI	**$ 4,952**	$ 1,175
Cumulative gains/losses recognized in OCI:		
Cumulative gross actuarial remeasurement in OCI	**$ (9,049)**	$ (15,834)
Taxes on cumulative actuarial remeasurement in OCI	**361**	2,194
Total actuarial remeasurement recognized in OCI, net	**$ (8,688)**	$ (13,640)

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

	January 31, 2019	January 31, 2018
Accrued interest on assets	**$ 2,908**	$ 3,075
Return on assets greater than discount rate	**542**	4,486
Actual return on plan assets	**$ 3,450**	$ 7,561

13. 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, 2019 was $11,204 (January 31, 2018 – $8,820). 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, 2019	January 31, 2018
Accounts payable and accrued liabilities	**$ 13,998**	$ 14,164
Other long-term liabilities	**14,273**	14,188
Contributed surplus	**1,961**	1,001
Total	**$ 30,232**	$ 29,353

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, 2019 are $4,097 (January 31, 2018 – $4,048).

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, 2019 are of $1,752 (January 31, 2018 –$1,047). The total number of deferred share units outstanding at January 31, 2019 is 270,277 (January 31, 2018 – 249,108). There were 21,186 DDSUs exercised during the year ended January 31, 2019 (January 31, 2018 – 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, 2019 are $62 (January 31, 2018 – $28).

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 8.9% of the Company's issued and outstanding shares at January 31, 2019. 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, 2019 are $4,510 (January 31, 2018 – $2,886). The fair values for options issued during the year were calculated based on the following assumptions:

	January 31, 2019	January 31, 2018
Fair value of options granted	**$ 2.86**	$ 3.12 to 4.30
Exercise price	**$ 27.77**	$ 32.40
Dividend yield	**4.3%**	4.2%
Annual risk-free interest rate	**2.1%**	1.2%
Expected share price volatility	**19.2%**	21.6%

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

	January 31, 2019	January 31, 2018
Dividend yield	**4.1%**	4.4%
Annual risk-free interest rate	**1.8%**	1.8% to 2.1%
Expected share price volatility	**15.9% to 19.5%**	16.6% to 20.5%

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, 2019	January 31, 2018	**January 31, 2019**	January 31, 2018
Outstanding options, beginning of year	**2,464,940**	2,082,892	**454,177**	442,642
Granted	—	441,269	**372,992**	63,843
Exercised	**(474,423)**	(28,527)	**(223,670)**	(16,855)
Forfeited or cancelled	**(22,794)**	(30,694)	**(173,159)**	(35,453)
Outstanding options, end of year	**1,967,723**	2,464,940	**430,340**	454,177
Exercisable at end of year	**658,364**	773,188	**16,253**	237,026

The weighted-average share price on the dates options were exercised during the year was $30.49 (January 31, 2018 – $31.65).

Weighted-average exercise price	**Declining Strike Price Options**		**Standard Options**	
	January 31, 2019	January 31, 2018	**January 31, 2019**	January 31, 2018
Outstanding options, beginning of year	**$ 26.18**	$ 24.81	**$ 24.28**	$ 23.21
Granted	—	32.34	**27.77**	32.40
Exercised	**20.09**	21.68	**20.52**	22.71
Forfeited or cancelled	**23.04**	26.36	**27.84**	26.31
Outstanding options, end of year	**$ 27.36**	$ 26.18	**$ 27.83**	$ 24.28
Exercisable at end of year	**$ 20.91**	$ 19.52	**$ 24.27**	$ 20.67

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
2012	$ 17.32-17.32	7,999	0.2	$ 17.32	7,999	$ 17.32
2013	$ 19.31-23.21	282,206	1.2	$ 19.41	282,206	$ 19.40
2014	$ 21.54-24.79	337,523	2.2	$ 21.61	223,846	$ 21.61
2015	$ 23.05-25.63	481,709	3.2	$ 23.11	160,566	$ 23.11
2016	$ 26.93-28.81	454,193	4.2	$ 26.97	NIL	N/A
2017	$ 29.37-32.40	461,441	5.4	$ 31.20	NIL	N/A
2018	$ 27.77-27.77	372,992	6.2	$ 27.77	NIL	N/A

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, 2019 are $783 (January 31, 2018 – $811).

14. FINANCIAL INSTRUMENTS

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

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

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, 2019, the Company had undrawn committed revolving loan facilities available of $231,507 (January 31, 2018 – $266,322) which mature in 2020 and 2022 (Note 11).

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

	2019	2020	2021	2022	2023	2024+	Total
Accounts payable and accrued liabilities	$ 175,726	—	—	—	—	—	$ 175,726
Current portion of long-term debt (Note 11)	900	—	—	—	—	—	900
Long-term debt (Note 11)	12,606	13,506	105,465	182,555	3,740	124,946	442,818
Operating leases (Note 21)	28,439	20,648	17,445	14,355	11,837	74,828	167,552
Total	$ 217,671	34,154	122,910	196,910	15,577	199,774	$ 786,996

Credit risk

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

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

It is the Company's policy that customers who wish to trade on credit terms are subject to credit verification procedures including policies governing: credit approvals, limits, collections and fraud prevention. The Company provides impairment allowances for potentially uncollectible accounts receivable. Receivable balances are comprised of approximately forty thousand customers spread across a wide geography, substantially reducing the Company's risk through the diversity of its customer base. Further, receivables are centrally monitored on an ongoing basis with the result that the Company's exposure to individual customers is generally not significant. The maximum exposure net of impairment allowances is $90,323 (January 31, 2018 – $80,765). The Company does not have any individual customers greater than 10% of total accounts receivable. At January 31, 2019, the Company's gross maximum credit risk exposure is $108,284 (January 31, 2018 – $96,696). Of this amount, $18,617 (January 31, 2018 – $16,427) is more than 60 days past due. The Company has recorded an allowance against its maximum exposure to credit risk of $17,961 (January 31, 2018 – $15,931) which is based on historical payment records for similar financial assets.

As at January 31, 2019 and 2018, the Company has no significant credit risk related to derivative financial instruments.

Market risk

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

Management is responsible for managing foreign currency risk. The Company's U.S. dollar net investment is exposed to foreign currency translation risk. A significant portion of this risk has been hedged with U.S. dollar denominated borrowings.

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

Management considers a 10% variation in the Canadian dollar relative to the U.S. dollar reasonably possible. Considering all major exposures to the U.S. dollar as described above, a 10% appreciation of the Canadian dollar against the U.S. dollar in the year-end rate would cause net 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.

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

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

Management considers a 100 basis point change in interest rates reasonably possible. Considering all major exposures to interest rates as described above, a 100 basis point increase in the risk-free rate would cause net earnings to decrease by approximately $1,463. A 100 basis point decrease would cause net earnings to increase by approximately $1,463.

(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, 2019		**Assets (Liabilities) carried at amortized cost**	
	Maturity	Carrying amount	Fair value
Cash	Short-term	$ 38,448	$ 38,448
Accounts receivable	Short-term	90,323	90,323
Other financial assets	Long-term	1,216	1,216
Accounts payable and accrued liabilities	Short-term	(175,726)	(175,726)
Current portion of long-term debt	Short-term	(900)	(900)
Long-term debt	Long-term	(365,857)	(365,392)

January 31, 2018		**Assets (Liabilities) carried at amortized cost**	
	Maturity	Carrying amount	Fair value
Cash	Short-term	$ 25,160	$ 25,160
Accounts receivable	Short-term	80,765	80,765
Other financial assets	Long-term	1,197	1,197
Accounts payable and accrued liabilities	Short-term	(170,166)	(170,166)
Long-term debt	Long-term	(313,549)	(310,737)

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.

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, 2019, the debt-to-equity ratio was 0.87 compared to 0.82 last year. The debt-to-equity ratio is within the Company's objectives. The debt-to-equity ratio is calculated as follows:

	January 31, 2019	January 31, 2018
Current portion of long-term debt	**$ 900**	$ —
Long-term debt	**365,857**	313,549
Total debt	**$ 366,757**	$ 313,549
Total equity	**$ 421,104**	$ 382,156
Debt-to-equity ratio	**0.87**	0.82

(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, 2019 and 2018, 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, 2019.

15. SHARE CAPITAL

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

	Shares	**Consideration**
Balance at January 31, 2018	**48,690,212**	**$ 172,619**
Issued under option plans (Note 13)	**60,717**	**1,062**
Balance at January 31, 2019	**48,750,929**	**$ 173,681**

Balance at January 31, 2017	48,542,514	$ 168,283
Issued for acquisition of RTW (Note 24)	133,944	4,000
Issued under option plans (Note 13)	13,754	336
Balance at January 31, 2018	48,690,212	$ 172,619

On June 14, 2017, the Company's Common Shares were replaced by 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 25% 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 25% 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 25% 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 25% 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.

At January 31, 2019 shares outstanding of 48,750,929 included 12,300,338 Variable Voting Shares, representing 25.2% of the total shares issued and outstanding.

16. EXPENSES BY NATURE

Year Ended	January 31, 2019	January 31, 2018
Employee costs (Note 17)	$ 304,907	$ 296,417
Amortization	59,435	55,653
Operating lease rentals	34,774	35,394
Gain on partial insurance settlement[1]	(16,955)	—

(1) The Company recorded a gain on the partial settlement of hurricane Irma related insurance claims in the Caribbean. This gain was largely due to the difference between the replacement cost of the assets and their book value.

17. EMPLOYEE COSTS

Year Ended	January 31, 2019	January 31, 2018
Wages, salaries and benefits including bonus	$ 285,404	$ 279,525
Post-employment benefits (Note 12)	8,299	8,072
Share-based compensation (Note 13)	11,204	8,820
Included in the above are the following amounts in respect of key management compensation:		
Wages, salaries and benefits including bonus	$ 5,296	$ 4,603
Post-employment benefit expense	1,820	1,160
Share-based compensation	6,677	5,314

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.

18. INTEREST EXPENSE

Year Ended	January 31, 2019	January 31, 2018
Interest on long-term debt	$ 13,177	$ 9,325
Net interest on defined benefit plan obligation	1,162	1,322
Less: interest capitalized	(374)	(502)
Interest expense	$ 13,965	$ 10,145

19. DIVIDENDS

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

Year Ended	January 31, 2019	January 31, 2018
Dividends recorded in equity and paid in cash	$ 66,283	$ 64,797
Less: Dividends paid to non-controlling interests	(3,954)	(2,482)
Shareholder dividends	$ 62,329	$ 62,315
Dividends per share	$ 1.28	$ 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 upon, among other factors, the financial performance of the Company, its current and anticipated future business needs, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. Dividends are recognized as a liability in the consolidated financial statements in the year in which the dividends are approved by the Board of Directors.

On March 14, 2019, the Board of Directors declared a dividend of $0.33 per common share to be paid on April 15, 2019 to shareholders of record as of the close of business on March 29, 2019.

20. NET EARNINGS PER SHARE

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

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

Year Ended	**January 31, 2019**	January 31, 2018
Diluted earnings per share calculation:		
Net earnings attributable to shareholders for the year (numerator for diluted earnings per share)	**$ 86,748**	$ 67,154
Weighted-average shares outstanding (denominator for basic earnings per share)	**48,697**	48,680
Dilutive effect of share-based compensation	**447**	595
Denominator for diluted earnings per share	**49,144**	49,275
Basic earnings per share	**$ 1.78**	$ 1.38
Diluted earnings per share	**$ 1.77**	$ 1.36

21. OPERATING LEASE COMMITMENTS

The Company leases various retail stores, offices, warehouses and equipment under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payments are as follows:

Year Ended	**January 31, 2019**		January 31, 2018	
	Land and buildings	**Other leases**	Land and buildings	Other leases
Due within 1 year	**$ 27,137**	**$ 1,302**	$ 29,620	$ 1,659
Within 2 to 5 years inclusive	**62,822**	**1,463**	69,692	1,299
After 5 years	**74,828**	—	72,438	—

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

The Company has a Master Franchise Agreement (MFA) with Giant Tiger Stores Limited, based in Ottawa, Ontario which grants the Company the exclusive right to open Giant Tiger stores in western Canada, subject to meeting a minimum store opening commitment. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing distribution services to the stores. As at January 31, 2019, the Company owns 44 Giant Tiger stores and is in compliance with the minimum store opening commitment. The agreement expires July 31, 2040.

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%
The North West Finance Company Cooperatie U.A.	Finance Company	Netherlands	99%	1%
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, 2019, the Company's share of the net assets of its joint venture amount to $10,375 (January 31, 2018 – $9,294) comprised assets of $12,800 (January 31, 2018 - $10,925) and liabilities of $2,425 (January 31, 2018 – $1,631). During the year ended January 31, 2019, the Company purchased freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries of $8,163 (January 31, 2018 – $7,806).

24. BUSINESS ACQUISITION

On February 9, 2017, the Company acquired 76% of the outstanding common shares of Roadtown Wholesale Trading Ltd. (RTW), operating primarily as Riteway Food Markets in the British Virgin Islands (BVI). RTW is the leading retailer in BVI with eight retail outlets, a Cash and Carry store and a significant wholesale operation. Based on the Company's closing share price on that date, the purchase price was $35,593 (US$27,044). This was comprised of cash consideration of $31,593 (US$24,004) financed through existing loan facilities and the issuance of 133,944 common shares, in accordance with the form of consideration elected to be received by RTW shareholders. The purchase price allocation based on management's best estimate of the acquisition date fair values of assets acquired and liabilities assumed is as follows:

		February 9, 2017
CURRENT ASSETS		
Cash	$	8,738
Accounts receivable		2,647
Inventories		12,432
Prepaid expenses		616
	$	24,433
NON-CURRENT ASSETS		
Property and equipment	$	34,574
Goodwill		2,085
Intangible assets		909
		37,568
TOTAL ASSETS	$	62,001
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	(14,258)
NET IDENTIFIABLE ASSETS		47,743
Less: non-controlling interests		(12,150)
CONSIDERATION	$	35,593
Less: cash acquired		(8,738)
Less: share consideration		(4,000)
NET CASH FLOW FOR BUSINESS ACQUISITION	$	22,855

This acquisition was completed to gain access to a new market, consistent with the Company's overall Caribbean growth plans. The acquisition was accounted for using the acquisition method. On February 9, 2017, accounts payable and accrued liabilities includes a $7,470 (US$5,676) dividend payable to RTW shareholders declared prior to the acquisition. This dividend was paid subsequent to the closing of the acquisition and was fully funded by the cash acquired.

For the year-ended January 31, 2018 the Company incurred $5,765 in acquisition costs substantially related to stamp duty paid to the Government of the British Virgin Islands. These acquisition costs are included in selling, operating and administrative expenses in the consolidated statements of earnings.

24. BUSINESS ACQUISITION (continued)

On June 15, 2017, the Company acquired 100% of the outstanding common shares of North Star Air Ltd. (NSA). NSA is a Thunder Bay based airline, providing cargo and passenger services within northwestern Ontario, Canada. The purchase price was $30,755, subject to working capital adjustments, and was financed through existing loan facilities. The preliminary purchase price allocation based on management's best estimate of the acquisition date fair values of assets acquired and liabilities assumed is as follows:

		June 15, 2017
CURRENT ASSETS		
Cash	$	2,406
Accounts receivable		5,258
Inventories		1,053
Prepaid expenses		1,852
	$	10,569
NON-CURRENT ASSETS		
Property and equipment	$	28,547
Goodwill		3,459
		32,006
TOTAL ASSETS	$	42,575
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	(7,547)
Deferred tax liability		(4,273)
NET IDENTIFIABLE ASSETS & CONSIDERATION		30,755
Less: cash acquired		(2,406)
NET CASH FLOW FOR BUSINESS ACQUISITION	$	28,349

This acquisition was completed to allow the Company to deliver faster, more consistent service to our customers. The acquisition was accounted for using the acquisition method.

In the fourth quarter of 2017, the Company revised its fair value estimates and updated the NSA purchase price allocation based on the final settlement of working capital adjustments. The result was to decrease the purchase price by $585 with a corresponding decrease in assets acquired of $439 and an increase in current liabilities of $146.

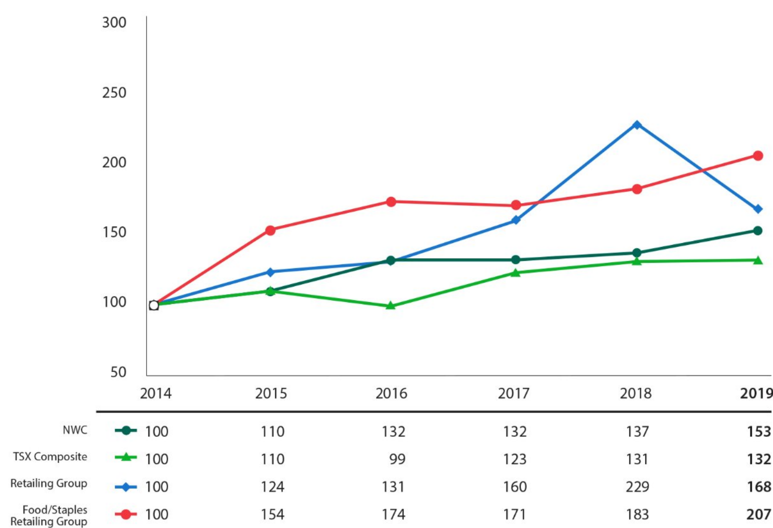
Shareholder Information

Fiscal Year Quarter Ended	Share Price High	Share Price Low	Share Price Close	Volume	EPS[1]
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
2017	**$33.75**	**$28.45**	**$29.14**	**38,835,538**	**$1.36**
April 30, 2017	32.28	28.78	32.20	10,508,104	0.17
July 31, 2017	33.75	29.68	30.54	8,949,833	0.46
October 31, 2017	32.00	29.37	31.48	8,193,983	0.42
January 31, 2018	32.90	28.45	29.14	11,183,618	0.31
2016	**$33.15**	**$24.08**	**$29.28**	**49,189,285**	**$1.57**
April 30, 2016	33.15	27.56	27.89	13,914,839	0.36
July 31, 2016	31.13	27.70	30.50	9,094,678	0.34
October 31, 2016	30.89	24.58	25.60	11,714,391	0.57
January 31, 2017	30.23	24.08	29.28	14,465,377	0.30

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.



The North West Company Inc. Anticipated Dividend Dates*

Record Date: March 29, 2019
Payment Date: April 15, 2019

Record Date: June 28, 2019
Payment Date: July 15, 2019

Record Date: September 30, 2019
Payment Date: October 15, 2019

Record Date: December 31, 2019
Payment Date: January 15, 2020

*Dividends are subject to approval by the Board of Directors

The 2019 Annual General and Special Meeting of Shareholders of The North West Company Inc. will be held on Wednesday, June 12, 2019 at 11:30 a.m. in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba

Transfer Agent and Registrar
AST Trust Company (Canada)
2001 Robert-Bourassa Blvd.
Suite 1600
Montreal, QC
Toll-free: 1 800 387 0825
www.astfinancial.com/ca-en

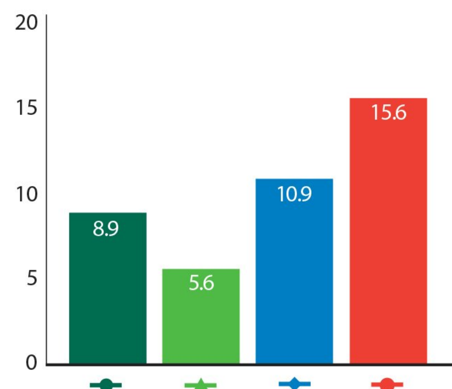
Stock Exchange Listing
The Toronto Stock Exchange

Stock Symbol NWC
ISIN #: CA6632781093
CUSIP #: 663278109

Number of shares issued and outstanding at January 31, 2019: 48,750,929

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 and Chief Executive Officer

Craig T. Gilpin
Executive Vice-President and
Chief Corporate Officer

John D. King CPA, CA, CMA
Executive Vice-President and
Chief Financial Officer

Daniel G. McConnell
President, International Retail

Gary Merasty
Executive Vice-President, Chief Development Officer

Toby A. Noiles
Executive Vice-President, Canadian
Food Procurement & Marketing

Alex S. Yeo
President, Canadian Retail

Michael T. Beaulieu
Vice-President, Canadian Sales & Operations
Northern Canada Retail, Central Division

Steven J. Boily
Vice-President, Information Services

J. Robert Cain
Vice-President, Logistics and Distribution
(International Operations)

David M. Chatyrbok
Vice-President, Canadian Sales & Operations,
Northern Canada Retail, NorthMart/Major
Markets Division

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

Kyle A. Hill
Vice-President of Strategy & Special Projects

EXECUTIVES

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

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

Frank Kelner
President, North Star Air Ltd.

Tom Meilleur
Vice-President, North Star Air Ltd.

Beth Millard-Hales
Vice-President, Human Resources

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

Glenn R. Revet
Vice-President, Sales and Operations, Giant Tiger

Chris J. Santschi
Vice-President, Canadian Sales and Operations,
Northern Canada Retail, National Division

Michael C. Scott
Vice-President, General Merchandise
Procurement & Marketing

Jeff Stout
Vice-President, North Star Air Ltd.

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

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

BOARD OF DIRECTORS

H. Sanford Riley, Chairman

Brock Bulbuck [2, 3]

Deepak Chopra, FCPA, FCGA [2, 3]

Frank J. Coleman [1, 2]

Wendy F. Evans [1, 3]

Stewart Glendinning [2, 3]

Edward S. Kennedy

Robert J. Kennedy [1, 3]

Annalisa King [2, 3]

Violet (Vi) A. M. Konkle [1, 3]

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

Victor Tootoo, CPA, CGA [2, 3]

BOARD COMMITTEES

1 Governance & 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:

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Gibraltar House, 77 Main Street
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board@northwest.ca
Company Website: *www.northwest.ca*

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."

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