
THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended April 30, 2021



2021 FIRST QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the first quarter ended April 30, 2021. Sales decreased 7.0% to \$551.0 million compared to the first quarter last year as same store sales gains were more than offset by the sale and closure of most of the Company's Giant Tiger stores last year (the "Giant Tiger Transaction") and the negative impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, sales decreased 4.1% compared to last year but were up 3.8%¹ on a same store basis driven by COVID-19-related factors including continuing in-community spending as well as income support for individuals provided by different jurisdictions within which the Company operates combined with superior in-stock conditions.

First quarter net earnings increased \$28.0 million to \$40.3 million and net earnings attributable to shareholders were \$39.7 million or \$0.80 per share compared to \$0.23 per share last year on a diluted earnings per share basis. This increase was driven by comparable and non-comparable factors. On the non-comparable side was the impact of an insurance-related gain this year and the Giant Tiger store closure provision and Canadian support office severance costs last year, partially offset by changes in share-based compensation costs (collectively "Non-Comparable Factors"). Adjusted net earnings², which excludes the impact of the Non-Comparable Factors, increased \$13.3 million or 53.9% compared to last year driven by same store sales gains and margin improvements.

The Board of Directors has approved a quarterly dividend of \$0.36 per share to shareholders of record on June 30, 2021.

On behalf of the Board of Directors:



H. Sanford Riley
Chairman



Edward S. Kennedy
President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's 2021 first quarter unaudited interim period condensed consolidated financial statements for the period ended April 30, 2021 ("Interim Condensed Consolidated Financial Statements") and the audited annual consolidated financial statements and accompanying notes included in the 2020 Annual Report. The first quarter of 2021 had 89 days of operations compared to 90 days of operations in the first quarter of 2020 as a result of February 29. The estimated impact of this extra day has been deducted from the reported same store sales.

(1) Excluding the foreign exchange impact

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

First Quarter Highlights

CONSOLIDATED RESULTS FIRST QUARTER

Key Performance Indicators and Selected First Quarter Information:

(\$ in thousands, except per share)	Three Months Ended	
	April 30, 2021	April 30, 2020
Sales	\$ 550,988	\$ 592,569
Same store sales % increase ⁽¹⁾		
Food	0.5 %	16.3 %
General Merchandise	23.9 %	12.0 %
Total	3.8 %	15.5 %
Gross profit	\$ 182,572	\$ 184,156
Selling, operating and administrative expenses	126,260	164,685
EBITDA ⁽²⁾	78,669	43,373
EBIT	56,312	19,471
Interest expense	3,463	5,010
Income taxes	12,561	2,207
Net earnings	40,288	12,254
Net earnings attributable to shareholders of the Company	39,656	11,274
Net earnings per share - basic	0.82	0.23
Net earnings per share - diluted	0.80	0.23

Sales First quarter consolidated sales decreased 7.0% to \$551.0 million as same store sales gains were more than offset by the sale and closure of the Company's Giant Tiger stores last year. The Company sold 36 Giant Tiger stores in the second quarter last year and closed four stores in the third quarter (the "Giant Tiger Transaction"). Further information on the Giant Tiger Transaction is provided under Canadian Operations. The negative impact of foreign exchange on the translation of International Operations sales and the impact of one extra day of sales last year as a result of February 29 were also factors. The exchange rate in the quarter was 1.2586 compared to 1.3793 last year. Excluding the foreign exchange impact, consolidated sales decreased 4.1%, with food sales decreasing 5.0% and general merchandise sales decreasing 10.6% due to the Giant Tiger Transaction. On a same store basis, sales increased 3.8%¹ on top of a 15.5% increase in the first quarter last year driven by COVID-19-related factors including continuing in-community spending and income support for individuals, combined with superior in-stock conditions. Food same store sales increased 0.5% building on a 16.3% increase last year and general merchandise same store sales were up 23.9% on top of a 12.0% increase last year.

Gross Profit Gross profit decreased 0.9% due to the impact of lower sales partially offset by a 206 basis point increase in gross profit rate compared to last year. The increase in gross profit rate was primarily due to favourable changes in product sales blend and higher inventory turns contributing to lower markdowns and inventory shrinkage. These factors were partially offset by the impact of lower margin wholesale food sales to the 36 Giant Tiger stores that were acquired by Giant Tiger Stores Limited as part of the Giant Tiger Transaction.

(1) Excluding the foreign exchange impact

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

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased \$38.4 million compared to last year and are down 487 basis points as a percentage to sales largely due to the Non-Comparable Factors which included an \$8.6 million insurance-related gain this year, a \$9.4 million Giant Tiger store closure provision related to the Giant Tiger Transaction and \$5.0 million in support office employee severance costs in Canadian Operations last year, partially offset by changes in share-based compensation costs. Share-based compensation costs increased \$3.6 million primarily due to mark-to-market adjustments resulting from changes in the Company's share price. Excluding the Non-Comparable Factors, Expenses decreased \$19.1 million and were down 157 basis points as a percentage to sales primarily due to lower store expenses related to the Giant Tiger Transaction, a decrease in Canadian administration costs and lower COVID-19-related expenses. COVID-19 expenses related to wage increases for front-line associates, the purchase of protective equipment and enhanced sanitation procedures were \$1.6 million in the quarter compared to \$4.8 million last year. The decrease in Expenses related to the impact of foreign exchange on the translation of International Operations Expenses was also a factor.

Earnings From Operations Earnings from operations increased \$36.8 million to \$56.3 million compared to \$19.5 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA²) increased \$35.3 million to \$78.7 million partially due to the impact of the Non-Comparable Factors. Adjusted EBITDA², which excludes the Non-Comparable Factors, increased \$15.9 million compared to last year and as a percentage to sales was 13.7% compared to 10.1% due to the sales, gross profit and Expense factors previously noted.

Interest Expense Interest expense decreased to \$3.5 million compared to \$5.0 million last year substantially due to lower average debt. Further information on long-term debt is provided in Note 9 to the Company's Interim Condensed Consolidated Financial Statements.

Income Tax Expense Income tax expense was \$12.6 million compared to \$2.2 million last year and the consolidated effective tax rate was 23.8% compared to 15.3%. This rate increase was primarily due to the impact of non-tax deductible share-based compensation costs and the blend of earnings in International Operations across the various tax rate jurisdictions.

Net Earnings Net earnings increased \$28.0 million to \$40.3 million. Net earnings attributable to shareholders were \$39.7 million and diluted earnings per share were \$0.80 per share compared to \$0.23 per share last year due to the factors noted above. Adjusted net earnings², which excludes the after-tax impact of the Non-Comparable Factors, increased \$13.3 million compared to last year driven by earnings gains in Canadian Operations and International Operations resulting from the factors previously noted.

Comprehensive Income Comprehensive income increased to \$45.5 million compared to \$20.8 million last year due to higher net earnings noted above and the impact of a \$10.4 million net actuarial gain on the re-measurement of defined benefit pension plan assets and liabilities partially offset by a foreign exchange-related loss on the translation of International Operations. Further information on defined benefit plan obligations is provided in Note 19 to the Company's Interim Condensed Consolidated Financial Statements.

(1) Excluding the foreign exchange impact

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

CANADIAN OPERATIONS FIRST QUARTER

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

Key Performance Indicators:

(\$ in thousands)	Three Months Ended	
	April 30, 2021	April 30, 2020
Sales	\$ 320,465	\$ 348,075
Same store sales % increase		
Food	3.3 %	15.8 %
General Merchandise	21.7 %	12.5 %
Total	6.7 %	15.1 %
EBITDA ⁽²⁾	\$ 54,545	\$ 20,663
EBIT	39,408	4,206

Sales Canadian Operations sales decreased 7.9% to \$320.5 million compared to \$348.1 million in the first quarter last year as strong same store sales gains were more than offset by divested stores as a result of the Giant Tiger Transaction. Further information on the Giant Tiger Transaction is provided below. Same store sales increased 6.7%, which is on top of a 15.1% increase last year, driven by COVID-19-related consumer spending changes in favour of the Company's in-community essential product offering combined with a strong in-stock position and the impact of various income transfer and support programs for individuals. Food sales decreased 9.1% and general merchandise sales decreased 19.2% compared to last year due to the Giant Tiger Transaction but were up 3.3% and 21.7% on a same store basis respectively due to the COVID-19-related and in-stock factors previously noted. These gains were partially offset by COVID-19-related shopping restrictions that applied to the Company's five retained Giant Tiger stores and two Valu Lots discount stores.

Gross Profit Gross profit increased 1.5% as the impact of lower sales was more than offset by a higher gross profit rate. The change in gross profit rate is primarily due to changes in product sales blend, lower markdowns and inventory shrinkage due to improved sell-through. Third-party air cargo revenues in North Star Air ("NSA") and the impact of selling or closing most of the Company's Giant Tiger stores, which have a lower gross profit structure consistent with a discount format were also factors. These factors were partially offset by the impact of lower margin wholesale food sales as part of the Giant Tiger Transaction.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased 30.1% and were down 769 basis points as a percentage to sales compared to last year largely due to the impact of the Non-Comparable Factors previously noted. Excluding the Non-Comparable Factors, Expenses decreased \$13.8 million mainly due to three-months less operations as a result of the Giant Tiger Transaction, savings from the Winnipeg support office cost reductions announced in the first quarter last year and lower COVID-19-related expenses.

Earnings From Operations Earnings from operations increased to \$39.4 million compared to \$4.2 million last year and EBITDA² increased to \$54.5 million compared to \$20.7 million last year due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA², which excludes the impact of the Non-Comparable Factors, increased \$14.2 million compared to last year driven by same store sales gains in northern Canada, improved earnings in NSA and the impact of the Giant Tiger Transaction. NSA EBITDA² increased compared to last year as higher cargo volumes and better aircraft utilization more than offset the negative impact of lower passenger-related earnings, net of \$0.4 million in Canada Emergency Wage Subsidy ("CEWS") payments received this year compared to \$0.6 million received in the first quarter last year.

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

Giant Tiger Transaction On July 5, 2020, the Company completed the sale of 36 of the Company's 46 Giant Tiger stores (the "Acquired Stores") to Giant Tiger Stores Limited ("GTSL"). Of the remaining 10 stores, the Company (i) retained and operates five key stores in northern market locations, (ii) converted one store to a Valu Lots clearance center, and (iii) closed four stores in the third quarter of 2020. In the first quarter of 2020, the assets related to the Giant Tiger Transaction were recorded as assets held for resale and the Company recorded a \$9.4 million asset impairment and store closure provision. Further information on the Giant Tiger Transaction is provided in Note 20 to the Company's Interim Condensed Consolidated Financial Statements.

As part of the Giant Tiger Transaction, the Company and GTSL entered into reciprocal product supply and distribution agreements related to the supply of food-related products by the Company to the Acquired Stores and the supply of certain general merchandise and food products by GTSL to the Company's northern Canada stores. These agreements enable buying efficiencies for both parties and provide the Company with access to an expanded general merchandise assortment.

INTERNATIONAL OPERATIONS FIRST QUARTER (stated in U.S. dollars)

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

Key Performance Indicators:

(\$ in thousands)	Three Months Ended	
	April 30, 2021	April 30, 2020
Sales	\$ 183,159	\$ 177,260
Same store sales % increase		
Food	(3.1)%	17.1 %
General Merchandise	30.8 %	9.5 %
Total	(0.1)%	16.3 %
EBITDA ⁽²⁾	\$ 19,167	\$ 16,465
EBIT	13,431	11,067

Sales International Operations sales increased 3.3% to \$183.2 million compared to \$177.3 million in the first quarter last year as sales gains in Alaska were partially offset by lower sales in the Pacific and Caribbean. The sales decrease in the Pacific and Caribbean regions was due to the COVID-19-related stock-up shopping that occurred in the first quarter last year that drove a 16.3% same store sales gain compared to a same store sales decrease of 0.1% in the first quarter this year. Food sales increased 1.2% but were down 3.1% on a same store basis and general merchandise sales increased 27.5% and were up 30.8% on a same store basis. Sales, and in particular general merchandise sales, were positively impacted by continuing consumer spending changes and COVID-19-related government income support payments within the United States, including U.S. Territories and the state of Hawaii, served by CUL. An increase in wholesale sales in Alaska related to the USDA Farmers to Families Food Box Program was also a factor. These factors were partially offset by sharply reduced tourism in the British Virgin Islands ("BVI"), St. Maarten and Curacao.

Gross Profit Gross profit increased 4.3% compared to last year driven by sales gains and an increase in the gross profit rate related to lower cost sourcing, changes in product sales blend and lower markdowns and inventory shrinkage due to improved sell-through. A lower blend of Cost-U-Less sales which have a lower gross profit rate consistent with a discount warehouse format was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased 0.6% compared to last year as lower COVID-19-related expenses were partially offset by higher annual incentive plan costs.

Earnings From Operations Earnings from operations increased \$2.3 million or 21.4% to \$13.4 million compared to \$11.1 million in the first quarter last year and EBITDA² increased to \$19.2 million compared to \$16.5 million last year due to the sales, gross profit and Expense factors previously noted.

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

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the first quarter was 0.54:1 compared to 0.94:1 last year.

Working capital decreased \$105.2 million or 50.2% compared to the first quarter last year primarily due to an increase in the current portion of long-term debt related to \$85.8 million in senior notes which mature June 16, 2021 and a decrease in assets held for sale due to the Giant Tiger Transaction. These factors were partially offset by an increase in inventories in northern Canada to optimize transportation costs and to meet higher sales expectations in Cost-U-Less stores and a decrease in accounts payable and accrued liabilities mainly related to the timing of payments. Further information on the maturing senior notes is provided in the Liquidity and Capital Resources section.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter decreased to 48,522,000 shares compared to 48,751,000 shares last year due to shares purchased under the Company's Normal Course Issuer Bid ("NCIB"). The weighted-average fully diluted shares outstanding for the quarter were 49,352,000 shares compared to 49,369,000 shares last year. The decrease in fully diluted shares outstanding compared to last year is due to the NCIB and redemptions under the Director Deferred Share Unit Plan partially offset by the dilutive impact of share based compensation. Further information on share capital and share-based compensation plans is provided in Note 7 and Note 14 respectively to the Company's Interim Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

(\$ in thousands)	Three Months	Three Months	Change
	Ended	Ended	
	April 30, 2021	April 30, 2020	
Cash flows from (used in):			
Cash from operating activities	\$ 10,503	\$ 89,880	\$(79,377)
Cash used in investing activities	(3,634)	(26,456)	22,822
Cash used in financing activities	(22,136)	(38,287)	16,151
Effect of changes in foreign exchange rates on cash	(1,014)	283	(1,297)
Net change in cash	\$ (16,281)	\$ 25,420	\$(41,701)

Cash From Operating Activities Cash from operating activities in the quarter decreased \$79.4 million to \$10.5 million compared to \$89.9 million last year due to the change in non-cash working capital substantially related to a change in accounts payable and accrued liabilities, inventories and accounts receivable compared to the prior year. The decrease in accounts payable is related to higher annual incentive plan payments accrued for the 2020 fiscal year that were paid in the quarter and the timing of payments on trade accounts payable. The increase in inventories is mainly due to transportation cost optimization specifically related to a shift of more non-perishable products to winter road transport modes in Canadian Operations and an increase in inventories in Cost-U-Less stores compared to the significant sell-through in the first quarter last year. The change in accounts receivable is largely related to a decrease in payments collected on accounts compared to the prior year. These factors were partially offset by an increase in income tax payable related to an increase in earnings and the timing of installments.

Cash Used In Investing Activities Cash used in investing activities in the quarter decreased to \$3.6 million compared to \$26.5 million last year. The purchase of property and equipment in the quarter was largely related to investments in stores, fixtures and equipment. These expenditures were partially offset by \$8.6 million in insurance proceeds received on the partial settlement of the 2018 fire-related insurance claims. Further information on planned capital expenditures is included in the Outlook section.

Cash Used In Financing Activities Cash used in financing activities in the quarter was \$22.1 million compared to cash used in financing activities of \$38.3 million last year. The change in long-term debt in the quarter is due to changes in amounts drawn on the Company's revolving loan facilities compared to last year. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 9 to the Company's Interim Condensed Consolidated Financial Statements. The impact of the change in long-term debt was partially offset by \$5.2 million in shares purchased under the Company's Normal Course Issuer Bid and an increase in dividends.

Sources of Liquidity

Canadian Operations have US\$70.0 million senior notes that mature on June 16, 2021. These senior notes have a fixed interest rate of 3.27% on US\$55.0 million and a floating interest rate on US\$15.0 million based on U.S. LIBOR plus a spread, payable semi-annually. In June 2020, the Company issued US\$70.0 million senior notes in two tranches; US\$35.0 million 2.88% senior notes that will mature on June 16, 2027 and US\$35.0 million 3.09% senior notes that will mature on June 16, 2032. These senior notes are secured by a floating charge on 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 that mature June 16, 2021 and the US\$52.0 million loan facilities. The proceeds from the issuance of the senior notes issued in June 2020 were used to reduce amounts drawn on the Company's revolving loan facilities in Canadian Operations and provides additional capacity which is expected to be used to repay the US\$70.0 million senior notes when they mature on June 16, 2021.

The Company has outstanding \$100.0 million in senior notes 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.

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 or the Canadian prime interest rate. These facilities mature September 26, 2022 and are secured by certain assets of the Company on a *pari passu* basis with the Company's other senior debt. At April 30, 2021, the Company had drawn \$9.1 million on these facilities (April 30, 2020 - \$164.0 million).

The Company has committed, revolving loan facilities of US\$52.0 million that bear interest at U.S. LIBOR plus a spread. These facilities mature September 26, 2022 and are secured by certain assets of the Company on a *pari passu* basis with the Company's other senior debt. At April 30, 2021, the Company had drawn US\$NIL on these facilities (April 30, 2020 - US\$27.9 million).

The International Operations have a US\$40.0 million committed, revolving loan facility for working capital and general business purposes. This loan facility, which matures February 12, 2025, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At April 30, 2021, the Company had drawn US\$NIL million on these facilities (April 30, 2020 - US\$1.8 million).

The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At April 30, 2021, lease liabilities reflect a weighted-average risk-free rate of 3.8% (April 30, 2020 - 3.8%) and weighted-average remaining lease term of 10.0 years (April 30, 2020 - 9.6 years).

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At April 30, 2021, the Company is in compliance with the financial covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants. Further information on the Company's long-term debt and loan facilities is provided in Note 9 to the Company's Interim Condensed Consolidated Financial Statements.

Cash flow from operating activities and unutilized capacity available on existing loan facilities are expected to be sufficient to fund operating requirements, maturing debt obligations, pension plan contributions, planned sustaining and growth-related capital expenditures as well as anticipated dividends during 2021.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of \$0.36 per share to shareholders of record on June 30, 2021, to be paid on July 15, 2021.

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

Normal Course Issuer Bid

On November 10, 2020, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company may acquire up to a maximum of 4,807,437 of its shares, or approximately 10% of its float for cancellation over the following 12 months. During the first quarter ended April 30, 2021, the Company purchased 155,570 common shares having a book value of \$0.6 million for cash consideration of \$5.2 million. The excess of the purchase price over the book value of the shares of \$4.7 million was charged to retained earnings. All shares purchased were cancelled. At April 30, 2021, a total of 4,471,093 shares remain available for repurchase under the NCIB. Further information on share capital and the NCIB is provided in Note 7 to the Company's Interim Condensed Consolidated Financial Statements.

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

OTHER HIGHLIGHTS

- The Company acquired a store in Rankin Inlet, Nunavut and reformatted it into a combined convenience store and Motor Sports dealership which opened on March 15, 2021.
- A modular convenience store was opened in Clyde River, Nunavut on March 27, 2021.
- The Alaska Commercial Company delivered 3.3 million pounds of produce, dairy and meat to 115 communities throughout Alaska in connection with the USDA Farmers to Families Food Box Program.

STRATEGY

The Company is focused on building an expanded range of essential products and services that help our customers to live better and that sustain and grow our business in a socially responsible manner, within all economic conditions. For investors, the Company is committed to delivering sustainable, superior total returns with a commitment to downside risk management, disciplined allocation of capital, cash flow optimization and dividend growth.

The Company's focus areas are set out below:

1. In the short-term, our priority is on continuing to provide a safe shopping environment for our customers and employees while meeting the sales opportunities presented by Covid-19-related shopping demands.
2. Medium-term priority work includes new levels of social impact commitments, completing the multi-year roll-out of next generation merchandise and store systems and the addition of air cargo capacity.
3. Longer-term initiatives are focussed on talent and culture, new store and e-commerce expansion in Alaska, food market share gains in northern Canada through lower food prices and complementary business growth through organic investments and acquisitions.

Further information on the Company's strategy is provided in the 2020 Annual Report.

OUTLOOK

The Company's near-term consumer outlook remains highly influenced by the COVID-19 pandemic. The Company foresees revenue to remain above normal growth rates through the second quarter of this year based on the expected duration of COVID-19 restrictions, the Company's role as an essential service and an anticipated retention of consumer spending in favour of the Company's in-community product and service offering. There is downside risk to this outlook related to outbreaks of COVID-19 variants, the take-up of broad vaccine distribution and the timing of economic recoveries within tourism-dependent countries which do not have strong government income support programs such as the British Virgin Islands and St. Maarten. As a relied-upon provider of everyday needs to many remote communities, the Company is committed to ensuring continuity of service throughout this challenging period.

The impact of the Giant Tiger Transaction and the transition to reduced COVID-19 risk conditions is expected to result in lower sales compared to last year but still significantly higher than 2019. On an annualized basis, the Giant Tiger Transaction is expected to result in lower sales, net of wholesale food sales to the sold Giant Tiger stores, but have a positive impact on earnings from operations. Increased government transfers to Indigenous communities and to families with children in the U.S. are expected to cushion the impact of a post-COVID-19 effect. The timing and size of the sales impact of lower COVID-19 transmission and health risk conditions is much more difficult to estimate. Sales forecasting is very difficult due to ongoing COVID-19 uncertainties. Customer incomes will also be a factor, for example the large increase in the Child Tax Credit in U.S. states and territories that will take place beginning in July. As an indication of this, same store sales in the second quarter-to-date are down 6.6% compared to last year but are up 25.1% compared to two years ago. Based on the current vaccine and variant situation, combined with the Company's initiatives to retain market share gains from 2020, it is expected that earnings in 2021 will be meaningfully above pre-pandemic (2019) levels but likely below 2020.

Beyond the duration of COVID-19's material impact, positive and negative, on the Company's business, the medium and longer-term outlook for the Company is favourable based on our lower pricing and cost positions, higher income transfers as noted above, our emphasis on decentralized execution capability, the resiliency of our everyday essential product and service focus, augmented by opportunistic investments, and customer relationships and in-community shopping patterns established during COVID-19. The Company also continues to actively assess acquisition and other business venture opportunities within its different businesses and retail divisions.

In the first quarter of 2021, the Company recorded after-tax insurance related gains of \$7.1 million compared to \$4.5 million in the 2020 fiscal year. The final settlement of 2018 fire insurance claims and the receipt of payments are expected to result in further insurance-related earnings gains in 2021, however, the amount and timing of these gains is uncertain. Global insurance market conditions are more challenging as insurance companies limit their capacity for underwriting risks in certain geographic areas such as the Caribbean and northern Canada or in sectors such as the aviation industry. These factors are expected to continue to result in higher insurance costs; and, combined with higher self-insured retention levels, may result in greater earnings volatility in the event of future losses. To help mitigate future losses, the Company has completed resiliency upgrades to facilities and enhanced preventative measures in all higher risk areas of its business as well as containing increasing insurance costs through higher self-insured retention levels.

In 2020, the Company recorded a \$24.7 million deferred tax liability on earnings in Canadian Operations based on the year-end of the limited partnership. The payment of taxes on these earnings will occur over the next 12 months. In addition, the Company expects that its Canadian monthly income tax installments will increase in 2021 based on its taxable income in 2020. These income tax payments will reduce cash flow from operating activities in 2021.

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

CEO TRANSITION

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

RISK FACTORS AND ENTERPRISE RISK MANAGEMENT

Information on risk factors inherent within the business and enterprise risk management are included in the Company's 2020 Annual Report and 2020 Annual Information Form, which are hereby incorporated by reference. These documents are available on the Company's website at www.northwest.ca or on Sedar at www.sedar.com.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information:

Operating Results - Consolidated

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	89 days	90 days	92 days	92 days	92 days	92 days	92 days	92 days
	2021	2020	2020	2019	2020	2019	2020	2019
(\$ in millions, except per share)								
Sales	\$ 551.0	\$ 592.6	\$ 565.2	\$ 553.1	\$ 553.0	\$ 519.5	\$ 648.5	\$ 527.3
EBITDA⁽¹⁾	78.7	43.4	71.4	50.4	75.7	59.3	110.9	51.6
Earnings from operations	56.3	19.5	49.1	26.7	52.9	37.0	87.8	29.6
Net earnings	40.3	12.3	32.8	17.3	35.9	24.8	62.6	17.9
Net earnings attributable to shareholders of the Company	39.7	11.3	32.1	16.3	34.6	24.1	61.9	17.2
Net earnings per share:								
Basic	0.82	0.23	0.66	0.34	0.71	0.49	1.27	0.35
Diluted	0.80	0.23	0.63	0.33	0.71	0.49	1.25	0.35
Adjusted EBITDA⁽¹⁾	75.7	59.8	69.0	47.4	83.6	58.8	95.9	53.6
Adjusted net earnings⁽¹⁾	37.9	24.6	30.5	15.2	42.8	24.3	50.5	20.7

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

Historically, the Company's first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting the holiday selling period. 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, markdowns to reduce excess inventories and other factors which can affect net earnings.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

There have been no changes in the internal controls over financial reporting during the quarter ended April 30, 2021 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2021

The significant accounting policies are set out in the Company's 2020 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these Interim Condensed Consolidated Financial Statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

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

NON-GAAP MEASURES

The Company uses the following non-GAAP financial measures: earnings before interest, income taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA and adjusted net earnings. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

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

Adjusted EBITDA and Adjusted Net Earnings 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)	First Quarter	
	2021	2020
Net earnings	\$ 40,288	\$ 12,254
Add: Amortization	22,357	23,902
Interest expense	3,463	5,010
Income taxes	12,561	2,207
EBITDA	\$ 78,669	\$ 43,373
Adjusted for:		
Insurance gains	(8,632)	—
Share-based compensation expense ⁽¹⁾	5,681	2,051
Giant Tiger asset impairment and store closure provision	—	9,411
Head office restructuring charge	—	4,953
Adjusted EBITDA	\$ 75,718	\$ 59,788

(1) Further information on share-based compensation expense is provided in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements.

For EBITDA information by business segment, see Note 4 to the Company's Interim Condensed Consolidated Financial Statements.

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	First Quarter	
	2021	2020
Net earnings	\$ 40,288	\$ 12,254
Adjusted for:		
Insurance gains, net of tax	(7,123)	—
Share-based compensation expense, net of tax	4,743	1,883
Giant Tiger asset impairment and store closure provision, net of tax	—	6,874
Head office restructuring charge, net of tax	—	3,616
Adjusted net earnings	\$ 37,908	\$ 24,627

The Company recorded gains on the partial settlement of fire related insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value.

Certain share-based compensation costs are presented as liabilities on the Company's consolidated balance sheets. The Company is exposed to market price fluctuations in its share price through these share-based compensation costs. These liabilities are recorded at fair value at each reporting date based on the market price of the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses. Further information on share-based compensation is provided in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements.

Further information on the gain on the disposition of Giant Tiger stores and the Giant Tiger asset impairment and store closure expense is provided in the Canadian Operations section and in Note 20 to the Company's Interim Condensed Consolidated Financial Statements.

Unless otherwise stated, this Management's Discussion & Analysis ("MD&A") is based on the financial information included in the Company's Interim Condensed Consolidated Financial Statements and notes to the Interim Condensed Consolidated Financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to June 9, 2021.

Forward-Looking Statements

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

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally including the duration and the impact of the COVID-19 pandemic, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete capital projects, strategic transactions and integrate acquisitions, the Company's ability to realize benefits from investments in information technology ("IT") and systems, including IT system implementations or unanticipated results from these initiatives and the Company's success in anticipating and managing the foregoing risks.

The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other risks are outlined in the Risk Management section of the 2020 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

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

Consolidated Balance Sheets

(unaudited, \$ in thousands)	April 30, 2021	April 30, 2020	January 31, 2021
CURRENT ASSETS			
Cash	\$ 55,255	\$ 53,607	\$ 71,536
Accounts receivable (Note 5)	86,732	85,609	91,443
Inventories (Note 6)	239,285	225,935	226,962
Prepaid expenses	15,639	19,699	6,919
Income tax receivable (Note 13)	—	5,219	—
Assets held for sale (Note 20)	—	60,291	—
	396,911	450,360	396,860
NON-CURRENT ASSETS			
Property and equipment	520,333	552,240	531,794
Right-of-use assets	104,184	107,769	107,766
Promissory note receivable (Note 20)	49,287	—	49,020
Goodwill	46,820	51,533	48,263
Intangible assets	35,041	41,643	36,151
Deferred tax assets	9,050	30,733	7,288
Other assets	13,197	12,239	14,026
	777,912	796,157	794,308
TOTAL ASSETS	\$ 1,174,823	\$ 1,246,517	\$ 1,191,168
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 175,245	\$ 187,047	\$ 205,202
Current portion of long-term debt (Note 9)	86,989	1,178	90,456
Current portion of lease liabilities (Note 10)	17,536	20,928	16,393
Income tax payable (Note 13)	12,775	—	3,084
Liabilities held for sale (Note 20)	—	31,609	—
	292,545	240,762	315,135
NON-CURRENT LIABILITIES			
Long-term debt (Note 9)	195,640	404,331	190,966
Lease liabilities (Note 10)	99,057	100,500	104,226
Defined benefit plan obligation (Note 19)	25,146	41,139	38,446
Deferred tax liabilities	12,007	9,014	12,488
Other long-term liabilities	24,961	17,944	24,676
	356,811	572,928	370,802
TOTAL LIABILITIES	649,356	813,690	685,937
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	174,714	173,681	174,213
Contributed surplus	9,727	9,768	13,394
Retained earnings	309,990	206,438	282,088
Accumulated other comprehensive income	17,028	28,215	21,605
Equity attributable to The North West Company Inc.	511,459	418,102	491,300
Non-controlling interests	14,008	14,725	13,931
TOTAL EQUITY	525,467	432,827	505,231
TOTAL LIABILITIES & EQUITY	\$ 1,174,823	\$ 1,246,517	\$ 1,191,168

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020
(unaudited, \$ in thousands, except per share amounts)		
SALES	\$ 550,988	\$ 592,569
Cost of sales	(368,416)	(408,413)
Gross profit	182,572	184,156
Selling, operating and administrative expenses (Notes 11, 17, 20)	(126,260)	(164,685)
Earnings from operations	56,312	19,471
Interest expense (Note 12)	(3,463)	(5,010)
Earnings before income taxes	52,849	14,461
Income taxes (Note 13)	(12,561)	(2,207)
NET EARNINGS FOR THE PERIOD	\$ 40,288	\$ 12,254
NET EARNINGS ATTRIBUTABLE TO		
The North West Company Inc.	\$ 39,656	\$ 11,274
Non-controlling interests	632	980
TOTAL NET EARNINGS	\$ 40,288	\$ 12,254
NET EARNINGS PER SHARE		
Basic	\$ 0.82	\$ 0.23
Diluted	\$ 0.80	\$ 0.23
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)		
Basic	48,522	48,751
Diluted	49,352	49,369

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, \$ in thousands)	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020
NET EARNINGS FOR THE PERIOD	\$ 40,288	\$ 12,254
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified to net earnings:		
Exchange differences on translation of foreign controlled subsidiaries	(5,132)	8,573
Items that will not be subsequently reclassified to net earnings:		
Remeasurements of defined benefit plans (Note 19)	10,373	—
Total other comprehensive income, net of tax	5,241	8,573
COMPREHENSIVE INCOME FOR THE PERIOD	\$ 45,529	\$ 20,827
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO		
The North West Company Inc.	\$ 5,796	\$ 7,900
Non-controlling interests	(555)	673
TOTAL OTHER COMPREHENSIVE INCOME	\$ 5,241	\$ 8,573
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
The North West Company Inc.	\$ 45,452	\$ 19,174
Non-controlling interests	77	1,653
TOTAL COMPREHENSIVE INCOME	\$ 45,529	\$ 20,827

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, \$ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI ⁽¹⁾	Total	Non-Controlling Interests	Total Equity
Balance at January 31, 2021	\$ 174,213	\$ 13,394	\$ 282,088	\$ 21,605	\$ 491,300	\$ 13,931	\$ 505,231
Net earnings for the period	—	—	39,656	—	39,656	632	40,288
Other comprehensive income	—	—	10,373	(4,577)	5,796	(555)	5,241
Comprehensive income	—	—	50,029	(4,577)	45,452	77	45,529
Purchased and cancelled (Note 7)	(558)	—	(4,673)	—	(5,231)	—	(5,231)
Equity settled share-based payments, net of tax	(16)	(3,255)	—	—	(3,271)	—	(3,271)
Dividends (Note 8)	—	—	(17,454)	—	(17,454)	—	(17,454)
Issuance of shares (Note 7)	1,075	(412)	—	—	663	—	663
	501	(3,667)	(22,127)	—	(25,293)	—	(25,293)
Balance at April 30, 2021	\$ 174,714	\$ 9,727	\$ 309,990	\$ 17,028	\$ 511,459	\$ 14,008	\$ 525,467
Balance at January 31, 2020	\$ 173,681	\$ 8,650	\$ 211,252	\$ 20,315	\$ 413,898	\$ 13,072	\$ 426,970
Net earnings for the period	—	—	11,274	—	11,274	980	12,254
Other comprehensive income	—	—	—	7,900	7,900	673	8,573
Comprehensive income	—	—	11,274	7,900	19,174	1,653	20,827
Equity settled share-based payments	—	1,118	—	—	1,118	—	1,118
Dividends (Note 8)	—	—	(16,088)	—	(16,088)	—	(16,088)
	—	1,118	(16,088)	—	(14,970)	—	(14,970)
Balance at April 30, 2020	\$ 173,681	\$ 9,768	\$ 206,438	\$ 28,215	\$ 418,102	\$ 14,725	\$ 432,827

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited, \$ in thousands)	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020
CASH FROM (USED IN):		
Operating activities		
Net earnings for the period	\$ 40,288	\$ 12,254
Adjustments for:		
Amortization	22,357	23,902
Provision for income taxes (Note 13)	12,561	2,207
Interest expense (Note 12)	3,463	5,010
Equity settled share-based compensation, net of tax (Note 14)	(3,271)	1,118
Insurance proceeds, property and equipment	(8,632)	—
Taxes paid	(9,577)	(3,509)
(Gain) / loss on disposal of property and equipment	(35)	124
Giant Tiger asset impairment & store closure provision (Note 20)	—	9,411
	57,154	50,517
Change in non-cash working capital	(48,319)	37,000
Change in other non-cash items	1,668	2,363
Cash from operating activities	10,503	89,880
Investing activities		
Purchase of property and equipment	(11,188)	(24,049)
Intangible asset additions	(1,123)	(2,416)
Proceeds from disposal of property and equipment	45	9
Insurance proceeds, property and equipment	8,632	—
Cash used in investing activities	(3,634)	(26,456)
Financing activities		
Net increase/(decrease) in long-term debt (Note 9)	8,134	(12,226)
Payment of lease liabilities, principal	(5,167)	(5,255)
Payment of lease liabilities, interest	(1,095)	(1,405)
Dividends (Note 8)	(17,454)	(16,088)
Interest paid	(1,986)	(3,313)
Net issuance of common shares	663	—
Common shares purchased and cancelled (Note 7)	(5,231)	—
Cash used in financing activities	(22,136)	(38,287)
Effect of foreign exchange rates on cash	(1,014)	283
NET CHANGE IN CASH	(16,281)	25,420
Cash, beginning of period	71,536	28,187
CASH, END OF PERIOD	\$ 55,255	\$ 53,607

See accompanying notes to condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on June 9, 2021.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2020 Annual Report which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

- Liabilities for share-based payment plans (Note 14)
- Defined benefit pension plan (Note 19)
- Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to the Company's 2020 Annual Audited Consolidated Financial Statements.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are set out in the Company's 2020 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances, except for assets and liabilities held for sale (Note 20).

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

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

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

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have the most significant effect on the amounts recognized in the condensed consolidated financial statements include: allowance for doubtful accounts, inventories, amortization of property and equipment, determination of lease term, estimate of incremental borrowing rate of each leased asset, impairment of long-lived assets, goodwill and indefinite life intangible asset impairment, income taxes, measurement of contingent consideration, promissory note receivable and defined benefit plan obligations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION

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

The following key information is presented by geographic segment:

Consolidated Statements of Earnings		
	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020
Sales		
Canada		
Food	\$ 217,674	\$ 239,463
General merchandise and other	102,791	108,612
Canada	\$ 320,465	\$ 348,075
International		
Food	\$ 205,424	\$ 222,448
General merchandise and other	25,099	22,046
International	\$ 230,523	\$ 244,494
Consolidated	\$ 550,988	\$ 592,569
Earnings before amortization, interest and income taxes		
Canada	\$ 54,545	\$ 20,663
International	24,124	22,710
Consolidated	\$ 78,669	\$ 43,373
Earnings from operations		
Canada	\$ 39,408	\$ 4,206
International	16,904	15,265
Consolidated	\$ 56,312	\$ 19,471

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION (continued)

Supplemental information

	April 30, 2021	April 30, 2020	January 31, 2021
Assets			
Canada ⁽¹⁾	\$ 749,667	\$ 765,973	\$ 754,162
International ⁽¹⁾	425,156	480,544	437,006
Consolidated	\$ 1,174,823	\$ 1,246,517	\$ 1,191,168

(1) Canadian total assets includes goodwill of \$11,025 (April 30, 2020 – \$11,025; January 31, 2021 – \$11,025); International total assets includes goodwill of \$35,795 (April 30, 2020 – \$40,508; January 31, 2021 – \$37,238).

	Three Months Ended April 30, 2021		Three Months Ended April 30, 2020	
	Canada	International	Canada	International
Purchase of property and equipment	\$ 6,983	\$ 4,205	\$ 23,375	\$ 674
Amortization	\$ 15,137	\$ 7,220	\$ 16,457	\$ 7,445

5. ACCOUNTS RECEIVABLE

	April 30, 2021	April 30, 2020	January 31, 2021
Trade accounts receivable	\$ 74,962	\$ 69,099	\$ 82,213
Corporate and other accounts receivable	22,485	28,343	20,360
Less: allowance for doubtful accounts	(10,715)	(11,833)	(11,130)
Total	\$ 86,732	\$ 85,609	\$ 91,443

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. 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.

6. INVENTORIES

Included in cost of sales for the three months ended April 30, 2021, the Company recorded \$1,060 (three months ended April 30, 2020 – \$537) 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 three months ended April 30, 2021 or 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. SHARE CAPITAL

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

April 30, 2021	Shares	Consideration
Balance at January 31, 2021	48,613,319	\$ 174,213
Purchased and cancelled ⁽¹⁾	(155,570)	(558)
Issued under share-based compensation plans (Note 14)	27,762	1,075
Balance at April 30, 2021	48,485,511	\$ 174,730
Shares held in trust, January 31, 2021	—	—
Purchased for future settlement of PSUs	(75,000)	(269)
Released for settlement of PSUs (Note 14)	70,613	253
Shares held in trust, April 30, 2021	(4,387)	(16)
Issued and outstanding, net of shares held in trust, April 30, 2021	48,481,124	174,714
April 30, 2020		
Balance at January 31, 2020	48,750,929	\$ 173,681
Issued under share-based compensation plans (Note 14)	—	—
Balance at April 30, 2020	48,750,929	\$ 173,681

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

Normal Course Issuer Bid

On November 10, 2020, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company may acquire up to a maximum of 4,807,437 of its shares, or approximately 10% of its float for cancellation over the following 12 months. During the three months ended April 30, 2021, the Company purchased 155,570 common shares having a book value of \$558 for cash consideration of \$5,231. The excess of the purchase price over the book value of the shares of \$4,673 was charged to retained earnings. All shares purchased were cancelled.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020
Dividends recorded in equity and paid in cash	\$ 17,454	\$ 16,088
Dividends per share	\$ 0.36	\$ 0.33

The payment of dividends on the Company's shares is subject to the approval of the Board of Directors and is based upon, among other factors, the financial performance of the Company, its current and anticipated future business needs, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. Dividends are recognized as a liability in the consolidated financial statements in the period in which they are approved by the Board of Directors (Note 21).

9. LONG-TERM DEBT

	April 30, 2021	April 30, 2020	January 31, 2021
Current:			
Senior notes ⁽⁴⁾	\$ 85,843	\$ —	\$ 89,300
Promissory notes payable ⁽⁸⁾	1,146	1,178	1,156
	\$ 86,989	\$ 1,178	\$ 90,456
Non-current:			
Revolving loan facility ⁽¹⁾	\$ —	\$ 2,475	\$ —
Revolving loan facilities ⁽²⁾	—	38,826	—
Revolving loan facilities ⁽³⁾	9,061	163,951	—
Senior notes ⁽⁴⁾	—	97,067	—
Senior notes ⁽⁵⁾	85,843	—	89,300
Senior notes ⁽⁶⁾	100,000	100,000	100,000
Revolving loan facility ⁽⁷⁾	—	—	—
Promissory notes payable ⁽⁸⁾	736	2,012	1,666
	\$ 195,640	\$ 404,331	\$ 190,966
Total	\$ 282,629	\$ 405,509	\$ 281,422

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US\$40,000 for working capital requirements and general business purposes. This facility matures February 12, 2025, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. As at April 30, 2021, the International Operations had drawn US\$NIL (April 30, 2020 - US\$1,781; January 31, 2021 - US\$NIL) on this facility.

(2) The US\$52,000 loan facilities mature September 26, 2022 and bear interest at U.S. LIBOR plus a spread. These committed loan facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70,000 senior notes due in 2021, the \$100,000 senior notes, the US\$70,000 senior notes due in 2027 and 2032 and the \$300,000 Canadian Operations loan facilities. At April 30, 2021, the Company had drawn US\$NIL (April 30, 2020 - US\$27,936; January 31, 2021 - US\$NIL) on these facilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to \$300,000 for working capital and general business purposes. These facilities mature September 26, 2022, are secured by certain assets of the Company and rank *pari passu* with the US\$70,000 senior notes due in 2021, the \$100,000 senior notes, the US\$70,000 senior notes due in 2027 and 2032 and the US\$52,000 loan facilities. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The US\$70,000 senior notes mature June 16, 2021, have a fixed interest rate of 3.27% on US\$55,000 and a floating interest rate on US\$15,000 based on U.S. LIBOR plus a spread. The senior notes are secured by certain assets of the Company and rank *pari passu* with the \$300,000 Canadian Operations loan facilities, the \$100,000 senior notes, the US\$70,000 senior notes due in 2027 and 2032 and the US\$52,000 loan facilities.

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

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

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

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

10. LEASE LIABILITIES

The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At April 30, 2021, lease liabilities reflect a weighted-average risk-free rate of 3.8% (April 30, 2020 – 3.8%; January 31, 2021 - 3.7%) and weighted-average remaining lease term of 10.0 years (April 30, 2020 – 9.6 years; January 31, 2021 - 10.2 years).

11. EMPLOYEE COSTS

	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020
Wages, salaries and benefits including bonus	\$ 75,180	\$ 89,225
Post-employment benefits	3,207	2,607
Share-based compensation (Note 14)	5,681	2,051

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. INTEREST EXPENSE

	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020
Interest on long-term debt	\$ 2,406	\$ 3,404
Interest on lease liabilities	1,095	1,405
Net interest on defined benefit plan obligation	254	270
Interest imputed on promissory note receivable (Note 20)	(267)	—
Interest capitalized	(25)	(69)
Interest expense	\$ 3,463	\$ 5,010

13. INCOME TAXES

The estimated effective income tax rate for the three months ended April 30, 2021 is 23.8% (three months ended April 30, 2020 – 15.3%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings.

14. SHARE-BASED COMPENSATION

The Company offers the following share-based compensation plans: Performance Share Units (PSUs); Share Options; Director Deferred Share Units (DDSU); Executive Deferred Share Units (EDSU) 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 shares.

The total expense relating to share-based payment plans for the three months ended April 30, 2021 was \$5,681 (three months ended April 30, 2020 – \$2,051). 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:

	April 30, 2021	April 30, 2020	January 31, 2021
Accounts payable and accrued liabilities	\$ 7,269	\$ 9,209	\$ 7,434
Other long-term liabilities	14,552	9,876	13,474
Contributed surplus	7,664	8,199	11,825
Total	\$ 29,485	\$ 27,284	\$ 32,733

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

Performance Share Units

The Company has granted Performance Share Units to officers and senior management. Each PSU entitles the participant to receive 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 compensation expense is recognized over the vesting period factoring in the probability of the performance criteria being met.

Compensation costs related to the PSUs for the three months ended April 30, 2021 are \$2,010 (three months ended April 30, 2020 – \$1,378). The total number of PSUs outstanding at April 30, 2021 that may be settled in treasury shares is 302,667 (April 30, 2020 – 323,605) and there were 16,371 PSUs exercised in treasury shares during the three months ended April 30, 2021 (three months ended April 30, 2020 – NIL). There were 143,354 PSUs partially settled by releasing 70,613 shares (Note 7) from a trust established for this plan during the three months ended April 30, 2021 (three months ended April 30, 2020 – NIL).

Share Option Plan

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

The fair value of the Declining Strike Price Options is remeasured at the reporting date and recognized both in net earnings and as a liability over the vesting period. The grant date fair value of the Standard Options is recognized in net earnings and contributed surplus over the vesting period.

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9.0% of the Company's issued and outstanding shares at April 30, 2021. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over four to five years and are exercisable over a period of seven years. The share option compensation costs recorded for the three months ended April 30, 2021 are an expense of \$2,239 (three months ended April 30, 2020 – \$462).

The fair values for options issued were calculated based on the assumptions below.

	April 30, 2021	April 30, 2020
Fair value of options granted	\$ 4.67	NIL
Exercise price	\$ 35.51	NIL
Dividend yield	4.1 %	NIL
Annual risk-free interest rate	1.1 %	NIL
Expected share price volatility	25.2 %	NIL

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

The assumptions used to measure cash settled options at the balance sheet dates were as follows:

	April 30, 2021	April 30, 2020
Dividend yield	4.1 %	5.0 %
Annual risk-free interest rate	0.3 %	0.3 %
Expected share price volatility	22.7% to 40.5%	25.3% to 53.7%

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

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

Number of options outstanding	Declining Strike Price Options		Standard Options	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Outstanding options, beginning of period	815,272	1,919,959	1,237,366	899,854
Granted	—	—	271,679	—
Exercised	(79,510)	(261,244)	(5,956)	—
Forfeited or cancelled	—	(13,915)	—	(35,314)
Outstanding options, end of period	735,762	1,644,800	1,503,089	864,540
Exercisable at end of period	460,996	1,090,303	463,453	318,532

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Outstanding options, beginning of period	\$ 30.15	\$ 27.34	\$ 28.51	\$ 28.01
Granted	—	—	35.51	—
Exercised	25.25	18.93	27.77	—
Forfeited or cancelled	—	31.28	—	27.99
Outstanding options, end of period	\$ 30.57	\$ 27.96	\$ 29.78	\$ 28.02
Exercisable at end of period	\$ 25.97	\$ 26.18	\$ 27.98	\$ 27.67

Options outstanding at April 30, 2021 have an exercise price range of \$21.30 to \$35.51 and a weighted-average remaining contractual life of 4.5 years.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

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 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 recorded for the three months ended April 30, 2021 are \$858 (three months ended April 30, 2020 – recovery of \$141). The total number of DDSUs outstanding at April 30, 2021 is 321,468 (April 30, 2020 – 328,093). There were no DDSUs exercised in cash during the period ended April 30, 2021 (April 30, 2020 - NIL).

Executive Deferred Share Unit Plan

The EDSU plan was implemented to assist executive management to meet the Company's minimum share ownership guidelines. This plan provides for the granting of deferred share units to those executives who elect to receive a portion of their annual short-term incentive payment in EDSUs, subject to plan limits. Effective April 2016, participants will be credited with EDSUs based on the amount of their 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 EDSUs. 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 recorded for the three months ended April 30, 2021 an expense of \$55 (three months ended April 30, 2020 – recovery of \$29).

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 recorded for the three months ended April 30, 2021 are \$519 (three months ended April 30, 2020 – \$381).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SEASONALITY

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

16. SUBSIDIARIES AND JOINT VENTURES

The Company's principal operating subsidiaries at April 30, 2021 are set out below:

	Activity	Country of Organization	Proportion of voting rights held by:	
			Company	Subsidiary
NWC GP Inc.	General Partner	Canada	100 %	
North West Company Holdings Inc.	Holding Company	Canada	100 %	
The North West Company LP	Retailing	Canada	100 %	(less one unit)
NWC (U.S.) Holdings Inc.	Holding Company	United States		100 %
The North West Company (International) Inc.	Retailing	United States		100 %
Roadtown Wholesale Trading Ltd.	Retailing	British Virgin Islands		77 %
North Star Air Ltd.	Airline	Canada		100 %

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

17. EXPENSES BY NATURE

	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020
Employee costs (Note 11)	\$ 84,068	\$ 93,883
Amortization	22,357	23,902
Operating lease rentals	1,524	1,873
Gain on partial insurance settlement ⁽¹⁾	(8,632)	—

(1) The Company recorded a gain due to the partial settlement of an insurance claim for the period ended April 30, 2021. This gain was due to the difference between the replacement cost of the assets destroyed and their net book values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

The following table comprises the carrying amounts of the Company's financial instruments at April 30, 2021. All of the Company's financial instruments are carried at amortized cost using the effective interest rate method.

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

	Assets (Liabilities) carried at amortized cost		
	Maturity	Carrying amount	Fair value
Cash	Short-term	\$ 55,255	\$ 55,255
Accounts receivable	Short-term	86,732	86,732
Promissory note receivable (Note 20)	Long-term	49,287	49,287
Other financial assets	Long-term	1,341	1,341
Accounts payable and accrued liabilities	Short-term	(167,976)	(167,976)
Current portion of long-term debt	Short-term	(86,989)	(87,169)
Long-term debt	Long-term	(195,640)	(195,740)

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, excluding debt with fixed interest rates, approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of debt with fixed interest rates is estimated by discounting the expected future cash flows using the current risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium. This is considered a level 2 fair value estimate.
- The carrying value of the promissory note receivable is a reasonable approximation of fair value. The fair value when recognized was estimated by calculating the present value of the future expected cash flows using an effective interest rate derived from comparable debt issuances.

19. POST-EMPLOYMENT BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities was performed at April 30, 2021. During the three months ended April 30, 2021, the Company recorded a net actuarial gain on its defined benefit plan obligation of \$10,373 in other comprehensive income, which was recognized immediately in retained earnings.

This remeasurement was primarily due to a change in the discount rate used to measure the defined benefit obligation. The discount rate used to determine the benefit obligation for the defined benefit pension plan at April 30, 2021 was 3.30% (January 31, 2021 - 2.72%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. DISPOSITION & STORE CLOSURE PROVISION

On July 5, 2020, the Company sold 36 of its 46 Giant Tiger stores (the "Acquired Stores") to Giant Tiger Stores Limited. The estimated consideration has been recorded as an unsecured, non-interest bearing promissory note. The fair value is comprised of the net present value of the installments and estimated additional contingent consideration, discounted using an interest rate specific to the counterparty.

For the period ended April 30, 2020 the assets and liabilities for the Acquired Stores were presented as held for sale. The total assets held for sale of \$60,291 were comprised of inventories, property and equipment, right-of-use-assets and other assets. The total liabilities held for sale of \$31,609 were comprised of accounts payable and accrued liabilities and lease liabilities.

Giant Tiger Asset Impairment Charge & Store Closure Provision

For the period ended April 30, 2020, the Company recorded an asset impairment and store closure provision of \$9,411, of which \$5,585 remains accrued at April 30, 2021. The store closure provision in the prior year was included in selling, operating and administrative expenses in the consolidated statements of earnings, and was applied to reduce the carrying amount of fixtures and equipment and right-of-use assets and to increase accrued liabilities on the consolidated balance sheets.

21. SUBSEQUENT EVENTS

Dividends

On June 9, 2021, the Board of Directors declared a dividend of \$0.36 per share payable July 15, 2021 to shareholders of record on June 30, 2021.