



Consolidated Financial Statements of

THE NORTH WEST COMPANY INC.

For the years ended January 31, 2017 and 2016



Consolidated Financial Statements

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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 11, 2017

Independent Auditor's Report



To the Shareholders of The North West Company Inc;

We have audited the accompanying consolidated financial statements of The North West Company Inc. and its subsidiaries, which comprise the consolidated balance sheets as at January 31, 2017 and January 31, 2016 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The North West Company Inc. and its subsidiaries as at January 31, 2017 and January 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.



CHARTERED PROFESSIONAL ACCOUNTANTS
WINNIPEG, CANADA

April 11, 2017

Consolidated Balance Sheets

(\$ in thousands)	January 31, 2017	January 31, 2016
CURRENT ASSETS		
Cash	\$ 30,243	\$ 37,243
Accounts receivable (Note 5)	78,931	79,373
Inventories (Note 6)	213,217	211,736
Prepaid expenses	5,547	7,229
	327,938	335,581
NON-CURRENT ASSETS		
Property and equipment (Note 7)	358,121	345,881
Goodwill (Note 8)	37,752	37,260
Intangible assets (Note 8)	35,394	32,610
Deferred tax assets (Note 9)	32,853	29,040
Other assets (Note 10)	13,763	13,423
	477,883	458,214
TOTAL ASSETS	\$ 805,821	\$ 793,795
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 146,639	\$ 152,136
Income tax payable	5,605	3,365
	152,244	155,501
NON-CURRENT LIABILITIES		
Long-term debt (Note 11)	229,266	225,489
Defined benefit plan obligation (Note 12)	34,078	33,853
Deferred tax liabilities (Note 9)	2,661	2,630
Other long-term liabilities	19,787	18,710
	285,792	280,682
TOTAL LIABILITIES	438,036	436,183
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	168,283	167,910
Contributed surplus	2,647	2,620
Retained earnings	176,003	156,664
Accumulated other comprehensive income	20,852	30,418
TOTAL EQUITY	367,785	357,612
TOTAL LIABILITIES & EQUITY	\$ 805,821	\$ 793,795

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, 2017	Year Ended January 31, 2016
SALES	\$ 1,844,093	\$ 1,796,035
Cost of sales	(1,302,596)	(1,273,421)
Gross profit	541,497	522,614
Selling, operating and administrative expenses (Notes 16, 17)	(423,366)	(415,293)
Earnings from operations	118,131	107,321
Interest expense (Note 18)	(7,220)	(6,210)
Earnings before income taxes	110,911	101,111
Income taxes (Note 9)	(33,835)	(31,332)
NET EARNINGS FOR THE YEAR	\$ 77,076	\$ 69,779
NET EARNINGS PER SHARE (Note 20)		
Basic	\$ 1.59	\$ 1.44
Diluted	\$ 1.57	\$ 1.43
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)		
Basic	48,524	48,509
Diluted	48,964	48,783

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(\$ in thousands)	Year Ended January 31, 2017	Year Ended January 31, 2016
NET EARNINGS FOR THE YEAR	\$ 77,076	\$ 69,779
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified to net earnings:		
Exchange differences on translation of foreign controlled subsidiaries	(9,566)	11,953
Items that will not be subsequently reclassified to net earnings:		
Remeasurements of defined benefit plans (Note 12)	2,413	4,583
Remeasurements of defined benefit plan of equity investee	19	(15)
Total other comprehensive income/(loss), net of tax	(7,134)	16,521
COMPREHENSIVE INCOME FOR THE YEAR	\$ 69,942	\$ 86,300

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
Balance at January 31, 2016	\$ 167,910	\$ 2,620	\$ 156,664	\$ 30,418	\$ 357,612
Net earnings for the year	—	—	77,076	—	77,076
Other comprehensive income/(loss)	—	—	2,413	(9,566)	(7,153)
Other comprehensive income of equity investee	—	—	19	—	19
Comprehensive income	—	—	79,508	(9,566)	69,942
Equity settled share-based payments	—	168	—	—	168
Dividends (Note 19)	—	—	(60,169)	—	(60,169)
Issuance of common shares (Note 15)	373	(141)	—	—	232
	373	27	(60,169)	—	(59,769)
Balance at January 31, 2017	\$168,283	\$ 2,647	\$176,003	\$ 20,852	\$367,785
Balance at January 31, 2015	\$ 167,460	\$ 2,831	\$ 140,527	\$ 18,465	\$ 329,283
Net earnings for the year	—	—	69,779	—	69,779
Other comprehensive income	—	—	4,583	11,953	16,536
Other comprehensive loss of equity investee	—	—	(15)	—	(15)
Comprehensive income	—	—	74,347	11,953	86,300
Equity settled share-based payments	—	124	—	—	124
Dividends (Note 19)	—	—	(58,210)	—	(58,210)
Issuance of common shares (Note 15)	450	(335)	—	—	115
	450	(211)	(58,210)	—	(57,971)
Balance at January 31, 2016	\$ 167,910	\$ 2,620	\$ 156,664	\$ 30,418	\$ 357,612

(1) Accumulated Other Comprehensive Income

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(\$ in thousands)	Year Ended January 31, 2017	Year Ended January 31, 2016
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings for the year	\$ 77,076	\$ 69,779
Adjustments for:		
Amortization (Note 7, 8)	48,367	44,026
Provision for income taxes (Note 9)	33,835	31,332
Interest expense (Note 18)	7,220	6,210
Equity settled share option expense (Note 13)	168	386
Taxes paid	(35,430)	(30,659)
Loss on disposal of property and equipment	1,115	350
	132,351	121,424
Change in non-cash working capital	(10,799)	5,904
Change in other non-cash items	4,472	5,659
Cash from operating activities	126,024	132,987
Investing activities		
Purchase of property and equipment (Note 7)	(66,180)	(63,179)
Intangible asset additions (Note 8)	(11,565)	(12,804)
Proceeds from disposal of property and equipment	63	170
Cash used in investing activities	(77,682)	(75,813)
Financing activities		
Increase in long-term debt (Note 11)	11,567	13,081
Dividends (Note 19)	(60,169)	(58,210)
Interest paid	(6,028)	(5,160)
Issuance of common shares (Note 15)	232	115
Cash used in financing activities	(54,398)	(50,174)
Effect of changes in foreign exchange rates on cash	(944)	1,114
NET CHANGE IN CASH	(7,000)	8,114
Cash, beginning of year	37,243	29,129
CASH, END OF YEAR	\$ 30,243	\$ 37,243

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
JANUARY 31, 2017 AND 2016

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.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on April 11, 2017.

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

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, if any. 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 the jointly controlled entity 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 accordance with International Accounting Standard (IAS) 39 either in 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 at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

(C) Revenue Recognition Revenue on the sale of goods is recorded at the time the sale is made to the customer, being when the significant risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, and the amount of revenue can be measured reliably. 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 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 as follows:

Buildings	3% – 8%
Leasehold improvements	5% – 20%
Fixtures and equipment	8% – 20%
Computer equipment	12% – 33%

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.

(G) Impairment

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.

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.

Impairment of financial assets Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is 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.

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 banner. This asset is not amortized but instead is tested for impairment annually or more frequently if indicators of impairment are identified.

- (L) **Share-based Payment Transactions**

Equity settled plans Certain stock options settled in common shares are equity settled share-based payment plans. The fair value of these plans is determined using an option pricing model. The grant date fair values of this benefit is recognized as an employee expense over the vesting period, with corresponding increases in equity.

Cash settled plans Certain stock options, Performance Share Units, 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.

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 sheet 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 statement 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 Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. 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. On initial recognition, all financial instruments are classified into one of the following categories: financial assets or liabilities at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments, available-for-sale financial assets, or financial liabilities at amortized cost.

Financial instruments have been classified as follows:

- Cash is designated as loans and receivables
- Accounts receivable and financial assets included in other assets are classified as loans and receivables
- Long-term debt, accounts payable and accrued liabilities, and certain other liabilities are classified as financial liabilities at amortized cost

Financial instruments are initially recognized at fair value plus transaction costs; subsequent measurement and recognition of changes in value depends on their initial classification. Financial instruments classified as FVTPL are subsequently measured at fair value, with changes in fair value recorded in net earnings. Loans and receivables are subsequently carried at amortized cost less impairment losses. Interest revenue, consisting primarily of service charge income on customer accounts receivable, is included in sales in the consolidated statement of earnings. Financial liabilities at amortized cost are subsequently held at amortized cost. Interest expense relating to long-term debt is recorded using the effective interest rate method and included in the consolidated statement of earnings as interest expense.

The Company is exposed to financial risks associated with movements in interest rates and exchange rates. The Company may use derivative financial instruments to hedge these exposures. Qualifying hedge relationships are classified as either fair value hedges, cash flow hedges or as a hedge of a net investment in a foreign operation. Fair value hedges are those where the derivative financial instrument hedges a change in the fair value of the financial asset or liability due to movements in interest rates. The Company does not have any cash flow hedges. Net investment hedges use financial liabilities to counterbalance gains and losses arising on the retranslation of foreign operations.

To qualify for hedge accounting, the Company documents its risk management strategy, the relationship between the hedging instrument and the hedged item or transaction 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.

To the extent that a fair value hedging relationship is effective, a gain or loss arising from the hedged item adjusts its carrying value and is reflected in earnings, offset by a change in fair value of the underlying derivative. Any changes in fair value of derivatives that do not qualify for hedge accounting are reported in earnings.

The Company has designated the U.S. denominated senior notes as a hedge of its net investment in U.S. 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. These gains and losses are subsequently recognized in earnings when the hedged item affects earnings.

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 other comprehensive income is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is transferred to the consolidated statements of earnings for the period.

Embedded derivatives are components of hybrid instruments that include non-derivative host contracts. These are separated from their host contracts and recorded on the consolidated balance sheets at fair value when certain conditions are met. Changes in the fair value of embedded derivatives are recognized in earnings.

(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 by the weighted-average number of common shares outstanding during the period. Diluted net earnings per share is determined by adjusting 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 expected customer payment experience, and influenced by specific customer behavior and regional economic factors (Notes 5, 14)
- Inventories are remeasured based on the lower of cost and net realizable value (Note 6)
- 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)
- Goodwill and indefinite life intangible asset impairment is dependent on judgment used to identify indicators of impairment and estimates used to measure impairment losses, if any (Note 8)
- 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 amendments to IAS 1, *Presentation of Financial Statements* effective February 1, 2016, as required by the IASB. The amendments provided guidance on the application of judgment in the preparation of financial statements and disclosure including: materiality, order of notes to consolidated financial statements and disclosure of accounting policies. It also clarified the aggregation and disaggregation of items presented in the financial statements. The amendments had no material impact on the consolidated financial statements.

(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, 2017, and have not been applied in preparing these consolidated financial statements. The Company is currently assessing the potential impacts of changes to these standards.

Financial Instruments The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. Additional guidance was issued on:

- New requirements for the classification and measurement of financial assets and liabilities. IFRS 9 uses a single approach to determine measurement of a financial asset by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss
- A single forward-looking "expected credit loss" impairment model
- New general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize effectiveness, however it will provide more strategies that may be used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship

These changes are effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and are available for early adoption.

Revenue Recognition In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The IFRS 15 standard contains a comprehensive model which specifies the criteria and timing for recognizing revenue, and also requires additional disclosures in the notes to the financial statements. The core principle of the standard is that revenue is recognized at an amount that reflects the consideration to which the Company is entitled. A contract-based five step analysis is used to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption.

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. These changes are effective for the Company's financial year ending January 31, 2020, with early adoption permitted provided IFRS 15, *Revenue from Contracts with Customers* is also applied. The Company continues to evaluate the effect this standard will have on its consolidated financial statements, and expects the impact to be material. Under the new standard the Company will recognize new assets and liabilities for its operating leases of property and equipment. In addition, the nature and timing of leasing expenses will change as operating lease expenses are replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Deferred tax In January 2016, the IASB issued amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. These amendments are applicable for the Company's financial year ending January 31, 2018.

Cash flows In January 2016, the IASB issued amendments to IAS 7, *Statement of Cash Flows* to improve disclosures regarding changes in financing liabilities. These amendments are applicable for the Company's financial year ending January 31, 2018.

Share based payment In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* in relation to the classification and measurement of share-based payment transactions. These amendments are applicable for the Company's financial year ending January 31, 2019.

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

The following key information is presented by geographic segment:

Consolidated Statements of Earnings		
Year Ended	January 31, 2017	January 31, 2016
Sales		
Canada	\$ 1,125,330	\$ 1,089,898
International	718,763	706,137
Consolidated	\$ 1,844,093	\$ 1,796,035
Earnings before amortization, interest and income taxes		
Canada	\$ 109,736	\$ 98,276
International	56,762	53,071
Consolidated	\$ 166,498	\$ 151,347
Earnings from operations		
Canada	\$ 74,445	\$ 66,495
International	43,686	40,826
Consolidated	\$ 118,131	\$ 107,321

	January 31, 2017	January 31, 2016
Assets		
Canada	\$ 529,807	\$ 501,268
International	276,014	292,527
Consolidated	\$ 805,821	\$ 793,795

Canadian total assets includes goodwill of \$3,271 (January 31, 2016 – \$NIL). International total assets includes goodwill of \$34,481 (January 31, 2016 – \$37,260).

Supplemental information

Year Ended	January 31, 2017		January 31, 2016	
	Canada	Int'l	Canada	Int'l
Purchase of property and equipment	\$ 53,701	\$ 12,479	\$ 55,503	\$ 7,676
Amortization	\$ 35,291	\$ 13,076	\$ 31,781	\$ 12,245

5. ACCOUNTS RECEIVABLE

	January 31, 2017	January 31, 2016
Trade accounts receivable	\$ 76,122	\$ 78,190
Corporate and other accounts receivable	17,193	13,566
Less: allowance for doubtful accounts	(14,384)	(12,383)
	\$ 78,931	\$ 79,373

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, 2017	January 31, 2016
Balance, beginning of year	\$ (12,383)	\$ (11,425)
Net charge	(9,425)	(7,312)
Written off	7,424	6,354
Balance, end of year	\$ (14,384)	\$ (12,383)

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, 2017, the Company recorded \$1,129 (January 31, 2016 – \$1,392) 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, 2017 or 2016.

7. PROPERTY & EQUIPMENT

January 31, 2017	Land	Buildings	Leasehold improvements	Fixtures & equipment	Computer equipment	Construction in process	Total
Cost							
Balance, beginning of year	\$ 16,935	\$ 417,182	\$ 64,055	\$ 294,922	\$ 77,142	\$ 17,075	\$ 887,311
Additions	120	35,478	7,803	23,949	4,186	(5,356)	66,180
Disposals	—	(1,407)	(500)	(2,533)	(6,025)	—	(10,465)
Effect of movements in foreign exchange	(688)	(9,212)	(1,623)	(7,183)	(1,005)	(112)	(19,823)
Total January 31, 2017	\$ 16,367	\$ 442,041	\$ 69,735	\$ 309,155	\$ 74,298	\$ 11,607	\$ 923,203
Accumulated amortization							
Balance, beginning of year	\$ —	\$ 232,202	\$ 34,811	\$ 207,004	\$ 67,413	\$ —	\$ 541,430
Amortization expense	—	18,944	4,584	15,846	4,277	—	43,651
Disposals	—	(920)	(472)	(1,968)	(5,927)	—	(9,287)
Effect of movements in foreign exchange	—	(4,172)	(971)	(4,686)	(883)	—	(10,712)
Total January 31, 2017	\$ —	\$ 246,054	\$ 37,952	\$ 216,196	\$ 64,880	\$ —	\$ 565,082
Net book value January 31, 2017	\$ 16,367	\$ 195,987	\$ 31,783	\$ 92,959	\$ 9,418	\$ 11,607	\$ 358,121
January 31, 2016							
Cost							
Balance, beginning of year	\$ 16,041	\$ 377,061	\$ 51,845	\$ 265,706	\$ 73,151	\$ 16,459	\$ 800,263
Additions	—	28,613	10,863	20,422	2,715	566	63,179
Disposals	—	(365)	(747)	(367)	(13)	—	(1,492)
Effect of movements in foreign exchange	894	11,873	2,094	9,161	1,289	50	25,361
Total January 31, 2016	\$ 16,935	\$ 417,182	\$ 64,055	\$ 294,922	\$ 77,142	\$ 17,075	\$ 887,311
Accumulated amortization							
Balance, beginning of year	\$ —	\$ 209,584	\$ 30,296	\$ 186,617	\$ 62,074	\$ —	\$ 488,571
Amortization expense	—	17,593	3,806	14,591	4,226	—	40,216
Disposals	—	(206)	(509)	(251)	(7)	—	(973)
Effect of movements in foreign exchange	—	5,231	1,218	6,047	1,120	—	13,616
Total January 31, 2016	\$ —	\$ 232,202	\$ 34,811	\$ 207,004	\$ 67,413	\$ —	\$ 541,430
Net book value January 31, 2016	\$ 16,935	\$ 184,980	\$ 29,244	\$ 87,918	\$ 9,729	\$ 17,075	\$ 345,881

The Company reviewed its property and equipment for indicators of impairment. No assets were identified as impaired.

Interest capitalized

Interest attributable to the construction of qualifying assets was capitalized using an average rate of 3.14% and 2.86% for the years ended January 31, 2017 and 2016 respectively. Interest capitalized in additions amounted to \$338 (January 31, 2016 – \$275). Accumulated interest capitalized in the cost total above amounted to \$1,776 (January 31, 2016 – \$1,438).

8. GOODWILL & INTANGIBLE ASSETS

Goodwill

	January 31, 2017	January 31, 2016
Balance, beginning of year	\$ 37,260	\$ 33,653
Additions	3,271	—
Effect of movements in foreign exchange	(2,779)	3,607
Balance, end of year	\$ 37,752	\$ 37,260

Goodwill Impairment Testing

The goodwill asset balance largely relates to the Company's acquired subsidiary, Cost-U-Less, and is allocated to the International Operations operating segment. The value of this 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 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, 2017	Software	Cost-U-Less banner	Other	Total
Cost				
Balance, beginning of year	\$ 41,030	\$ 9,856	\$ 8,364	\$ 59,250
Additions	6,575	—	1,719	8,294
Effect of movements in foreign exchange	—	(735)	(102)	(837)
Total January 31, 2017	\$ 47,605	\$ 9,121	\$ 9,981	\$ 66,707
Accumulated Amortization				
Balance, beginning of year	\$ 20,590	\$ —	\$ 6,050	\$ 26,640
Amortization expense	4,247	—	469	4,716
Effect of movements in foreign exchange	—	—	(43)	(43)
Total January 31, 2017	\$ 24,837	\$ —	\$ 6,476	\$ 31,313
Net book value January 31, 2017	\$ 22,768	\$ 9,121	\$ 3,505	\$ 35,394

Intangible assets

January 31, 2016	Software	Cost-U-Less banner	Other	Total
Cost				
Balance, beginning of year	\$ 28,376	\$ 8,902	\$ 7,989	\$ 45,267
Additions	12,654	—	150	12,804
Effect of movements in foreign exchange	—	954	225	1,179
Total January 31, 2016	\$ 41,030	\$ 9,856	\$ 8,364	\$ 59,250
Accumulated Amortization				
Balance, beginning of year	\$ 17,032	\$ —	\$ 5,750	\$ 22,782
Amortization expense	3,558	—	252	3,810
Effect of movements in foreign exchange	—	—	48	48
Total January 31, 2016	\$ 20,590	\$ —	\$ 6,050	\$ 26,640
Net book value January 31, 2016	\$ 20,440	\$ 9,856	\$ 2,314	\$ 32,610

Work in process

As at January 31, 2017, the Company had incurred \$10,402 (January 31, 2016 – \$6,037) 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 Cost-U-Less banner 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. INCOMETAXES

The following are the major components of income tax expense:

Year Ended	January 31, 2017	January 31, 2016
Current tax expense:		
Current tax on earnings for the year	\$ 37,903	\$ 34,656
Withholding taxes	1,401	149
Over provision in prior years	(87)	(1,774)
	\$ 39,217	\$ 33,031
Deferred tax expense:		
Origination and reversal of temporary differences	\$ (5,546)	\$ (3,900)
Impact of change in tax rates	(23)	(39)
Under provision in prior years	187	2,240
	(5,382)	(1,699)
Income taxes	\$ 33,835	\$ 31,332

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, 2017	January 31, 2016
Net earnings before income taxes	\$110,911	\$101,111
Combined statutory income tax rate	28.9%	29.3%
Expected income tax expense	\$ 32,007	\$ 29,646
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses/ non-taxable income	\$ (292)	\$ 650
Unrecognized income tax losses	215	327
Withholding taxes	1,401	149
Impact of change in tax rates	(23)	(39)
Under provision in prior years	100	466
Other	427	133
Provision for income taxes	\$ 33,835	\$ 31,332
Income tax rate	30.5%	31.0%

Deferred tax assets of \$4,500 arising from certain foreign income tax losses were not recognized on the consolidated balance sheet. 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, 2017	January 31, 2016
Defined benefit plan actuarial gain / (loss):		
Origination and reversal of temporary difference	\$ 875	\$ 1,679
Impact of change in tax rates	(12)	(25)
	\$ 863	\$ 1,654

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

January 31, 2017	February 1, 2016	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Other adjustments	January 31, 2017
Deferred tax assets:					
Goodwill & intangible assets	\$ 721	\$ (49)	\$ —	\$ —	\$ 672
Property & equipment	13,742	2,391	—	(162)	15,971
Inventory	2,146	459	—	(128)	2,477
Share-based compensation and long-term incentive plans	3,851	(58)	—	(47)	3,746
Defined benefit plan obligation	9,106	939	(863)	—	9,182
Accrued expenses not deductible for tax	4,889	(160)	—	(265)	4,464
Other	102	(1,038)	—	24	(912)
	\$ 34,557	\$ 2,484	\$ (863)	\$ (578)	\$ 35,600
Deferred tax liabilities:					
Goodwill & intangible assets	\$ (973)	\$ (178)	\$ —	\$ 74	\$ (1,077)
Net investment hedge	(53)	\$ —	—	(44)	(97)
Investment in jointly controlled entity	(1,391)	21	—	—	(1,370)
Deferred limited partnership earnings	(5,647)	3,050	—	—	(2,597)
Other	(83)	5	—	(189)	(267)
	\$ (8,147)	\$ 2,898	\$ —	\$ (159)	\$ (5,408)
	\$ 26,410	\$ 5,382	\$ (863)	\$ (737)	\$ 30,192

Recorded on the consolidated balance sheet as follows:

Year Ended	January 31, 2017	January 31, 2016
Deferred tax assets	\$ 32,853	\$ 29,040
Deferred tax liabilities	(2,661)	(2,630)
	\$ 30,192	\$ 26,410

January 31, 2016	February 1, 2015	Taxes (charged) credited to net earnings	Taxes (charged) credited to OCI	Other adjustments	January 31, 2016
Deferred tax assets:					
Goodwill & intangible assets	\$ 773	\$ (52)	\$ —	\$ —	\$ 721
Property & equipment	12,665	976	—	101	13,742
Inventory	2,847	(862)	—	161	2,146
Share-based compensation and long-term incentive plans	2,872	918	—	61	3,851
Defined benefit plan obligation	9,803	959	(1,656)	—	9,106
Accrued expenses not deductible for tax	4,801	(241)	—	329	4,889
Other	1,508	(1,414)	—	8	102
	\$ 35,269	\$ 284	\$ (1,656)	\$ 660	\$ 34,557
Deferred tax liabilities:					
Goodwill & intangible assets	\$ (648)	\$ (236)	\$ —	\$ (89)	\$ (973)
Net investment hedge	(34)	(19)	—	—	(53)
Investment in jointly controlled entity	(1,269)	(124)	2	—	(1,391)
Deferred limited partnership earnings	(7,570)	1,923	—	—	(5,647)
Other	(66)	(17)	—	—	(83)
	\$ (9,587)	\$ 1,527	\$ 2	\$ (89)	\$ (8,147)
	\$ 25,682	\$ 1,811	\$ (1,654)	\$ 571	\$ 26,410

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 \$96,278 at January 31, 2017 (January 31, 2016 – \$96,731).

10. OTHER ASSETS

	January 31, 2017	January 31, 2016
Investment in jointly controlled entity (Note 23)	\$ 9,930	\$ 10,356
Other	3,833	3,067
	\$ 13,763	\$ 13,423

11. LONG-TERM DEBT

	January 31, 2017	January 31, 2016
Current:		
Revolving loan facilities ⁽¹⁾	—	—
	\$ —	\$ —
Non-current		
Revolving loan facilities ⁽¹⁾	\$ 11,887	\$ 7,946
Revolving loan facilities ⁽²⁾	—	—
Revolving loan facilities ⁽³⁾	126,344	119,193
Senior notes ⁽⁴⁾	91,035	98,350
	\$ 229,266	\$ 225,489
Total	\$ 229,266	\$ 225,489

(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, 2017, the International Operations had drawn US\$9,122 (January 31, 2016 – US\$5,643) on this facility.

(2) In March 2016, the Company completed the refinancing of the US\$52,000 loan facilities maturing December 31, 2018 which bore interest at LIBOR plus a spread. The new committed, revolving loan facilities mature April 29, 2021 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 and the \$300,000 Canadian Operations loan facilities. At January 31, 2017, the Company had drawn US\$NIL (January 31, 2016 – US\$NIL) on these facilities.

(3) In March 2016, the Company completed the refinancing of the \$200,000 loan facilities maturing December 31, 2018 which bore a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate. The new increased, committed, revolving loan facilities provide the Company's Canadian Operations with up to \$300,000 for working capital and general business purposes. The facilities mature April 29, 2021 and are secured by certain assets of the Company and rank *pari passu* with the US\$70,000 senior notes and the US\$52,000 loan facilities in the International Operations. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The US\$70,000 senior notes mature on June 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 and the US\$52,000 loan facilities in the International Operations.

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, 2017 and January 31, 2016. The accrued pension benefits and funding requirements were last determined by actuarial valuation as at December 31, 2013. The next actuarial valuation is required as at December 31, 2016. The Company also sponsors an employee savings plan covering all U.S. employees with at least six months of service. Under the terms of the plan, the Company is obligated to make a 50% matching contribution up to 6% of eligible compensation.

During the year ended January 31, 2017, the Company contributed \$1,501 to its defined benefit pension plans (January 31, 2016 – \$1,601). During the year ended January 31, 2017, the Company contributed \$2,890 to its defined contribution pension plans (January 31, 2016 – \$2,594). The current best estimate of the Company's funding obligation for the defined benefit pension plans for the year commencing February 1, 2017 is \$2,600. 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, 2017	January 31, 2016
Plan assets:		
Fair value, beginning of year	\$ 76,429	\$ 82,298
Accrued interest on assets	2,987	2,811
Benefits paid	(5,040)	(5,578)
Plan administration costs	(405)	(387)
Employer contributions	1,501	1,601
Employee contributions	9	9
Return on assets greater than / (less than) discount rate	2,799	(4,325)
Fair value, end of year	\$ 78,280	\$ 76,429
Plan obligations:		
Defined benefit obligation, beginning of year	\$ (110,282)	\$ (118,854)
Current service costs	(3,273)	(3,498)
Employee contributions	(9)	(9)
Interest on plan liabilities	(4,311)	(4,061)
Benefits paid	5,040	5,578
Actuarial remeasurement due to:		
Plan experience	477	163
Financial assumptions	—	10,399
Defined benefit obligation, end of year	\$ (112,358)	\$ (110,282)
Plan deficit	\$ (34,078)	\$ (33,853)

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, 2017	January 31, 2016
Discount rate on plan liabilities	4.0%	4.0%
Rate of compensation increase	4.0%	4.0%
Discount rate on plan expense	4.0%	3.5%
Inflation assumption	2.0%	2.0%

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 17.8 years (January 31, 2016 – 17.9 years).

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

	January 31, 2017	January 31, 2016
Average life expectancies at age 65 for current pensioners:		
Male	21.2	21.1
Female	23.6	23.6
Average life expectancies at age 65 for current members aged 45:		
Male	22.3	22.3
Female	24.6	24.6

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. For the years ended January 31, 2017 and 2016, 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: 4.0%		
Impact of: 1% increase	\$ (17,484)	\$ (1,060)
1% decrease	\$ 22,407	\$ 999

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, 2017	January 31, 2016
Plan assets:		
Canadian equities (pooled)	23%	39%
Global equities (pooled)	40%	24%
Debt securities	37%	37%
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.

Statement of earnings and comprehensive income

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

	January 31, 2017	January 31, 2016
Employee costs (Note 17)		
Defined benefit pension plan, current service costs included in post-employment benefits	\$ 3,273	\$ 3,498
Plan administration costs	405	387
Defined contribution pension plan	2,890	2,594
Savings plan for U.S. employees	592	605
	\$ 7,160	\$ 7,084
Interest expense (Note 18)		
Accrued interest on assets	\$ (2,987)	\$ (2,811)
Interest on plan liabilities	4,311	4,061
	\$ 1,324	\$ 1,250

The following amounts have been included in other comprehensive income:

	January 31, 2017	January 31, 2016
Current Year:		
Return on assets (less than)/ greater than discount rate	\$ 2,799	\$ (4,325)
Actuarial remeasurement due to:		
Plan experience	477	163
Financial assumptions	—	10,399
Taxes on actuarial remeasurement in OCI	(863)	(1,654)
Net actuarial remeasurement recognized in OCI	\$ 2,413	\$ 4,583
Cumulative gains/losses recognized in OCI:		
Cumulative gross actuarial remeasurement in OCI	\$ (17,427)	\$ (20,703)
Taxes on cumulative actuarial remeasurement in OCI	2,612	3,475
Total actuarial remeasurement recognized in OCI, net	\$ (14,815)	\$ (17,228)

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

	January 31, 2017	January 31, 2016
Accrued interest on assets	\$ 2,987	\$ 2,811
Return on assets (less than)/ greater than discount rate	2,799	(4,325)
Actual return on plan assets	\$ 5,786	\$ (1,514)

13. SHARE-BASED COMPENSATION

The Company offers the following share-based payment 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 common shares.

The total expense relating to share-based payment plans for the year ended January 31, 2017 was \$7,053 (January 31, 2016 – \$13,750). 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, 2017	January 31, 2016
Accounts payable and accrued liabilities	\$ 10,844	\$ 10,067
Other long-term liabilities	13,624	12,472
Contributed surplus	1,078	1,052
Total	\$ 25,546	\$ 23,591

Performance Share Units

The Company has granted Performance Share Units to officers and senior management. Each PSU entitles the participant to receive a cash payment equal to the market value of the number of notional units granted at the end of the vesting period based on the achievement of specific performance based criteria. The PSU account for each participant includes the value of dividends from the Company as if reinvested in additional PSUs. PSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Company's shares at the grant date and subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period factoring in the probability of the performance criteria being met during that period. Compensation costs related to the PSUs for the year ended January 31, 2017 are \$3,017 (January 31, 2016 – \$6,027).

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 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 recorded for the year ended January 31, 2017 is an expense of \$712 (January 31, 2016 – \$1,587). The total number of deferred share units outstanding at January 31, 2017 is 212,166 (January 31, 2016 – 180,152). There were no DDSUs exercised during the year ended January 31, 2017 (January 31, 2016 – 22,895). For the year-ended January 31, 2016, 4,595 units were settled in shares and 18,300 units were settled in cash.

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 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 recorded for the year ended January 31, 2017 is an expense of \$35 (January 31, 2016 – \$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% of the Company's issued and outstanding shares at January 31, 2017. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over five years and are exercisable over a period of seven to ten years. The share option compensation cost recorded for the year ended January 31, 2017 is \$2,510 (January 31, 2016 – \$5,408).

The fair values for options issued during the year were calculated based on the following assumptions:

	2016	2015
Fair value of options granted	\$ 2.80 to 3.88	\$ 2.17 to 3.42
Exercise price	\$ 28.81	\$ 25.63
Dividend yield	3.9%	4.6%
Annual risk-free interest rate	0.5% to 0.7%	0.4% to 0.7%
Expected share price volatility	19.8%	19.9%

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

	2016	2015
Dividend yield	4.2%	4.1%
Annual risk-free interest rate	0.8% to 1.1%	0.4% to 0.7%
Expected share price volatility	19.7% to 23.3%	18.8% to 24.7%

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 year:

Number of options outstanding	Declining Strike Price Options		Standard Options	
	2016	2015	2016	2015
Outstanding options, beginning of year	1,659,664	1,207,995	400,045	391,876
Granted	454,057	491,096	68,564	81,461
Exercised	(30,829)	(39,427)	(25,967)	(43,137)
Forfeited or cancelled	—	—	—	(30,155)
Outstanding options, end of year	2,082,892	1,659,664	442,642	400,045
Exercisable at end of year	485,431	223,575	205,958	176,867

The weighted-average share price on the dates options were exercised during 2016 was \$29.88 (January 31, 2016 – \$27.46).

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	2016	2015	2016	2015
Outstanding options, beginning of year	\$ 23.67	\$ 22.79	\$ 21.86	\$ 20.88
Granted	28.81	25.63	28.81	25.63
Exercised	21.95	21.14	17.20	19.44
Forfeited or cancelled	—	—	—	22.52
Outstanding options, end of year	\$ 24.81	\$ 23.67	\$ 23.21	\$ 21.86
Exercisable at end of year	\$ 18.47	\$ 18.30	\$ 20.29	\$ 19.32

Summary of options outstanding by grant year

Grant year	Range of exercise price	Outstanding			Exercisable		
		Number outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Options exercisable	Weighted-average exercise price	
2010	\$ 19.11-19.11	106,700	3.2	\$ 19.11	106,700	\$ 19.11	
2011	\$ 17.19-20.62	271,462	1.5	\$ 17.76	271,462	\$ 17.76	
2012	\$ 18.87-21.86	316,121	2.2	\$ 19.37	200,916	\$ 19.37	
2013	\$ 20.86-23.21	358,830	3.2	\$ 21.25	112,311	\$ 21.25	
2014	\$ 23.09-24.79	377,243	4.2	\$ 23.22	NIL	N/A	
2015	\$ 24.60-25.63	572,557	5.2	\$ 24.75	NIL	N/A	
2016	\$ 28.48-28.81	522,621	6.2	\$ 28.52	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 recorded for the year ended January 31, 2017 is \$779 (January 31, 2016 – \$728).

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, 2017, the Company had undrawn committed revolving loan facilities available of \$264,657 (January 31, 2016 – \$188,907) which mature in 2020 and 2021 (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.

	2017	2018	2019	2020	2021	2022+	Total
Accounts payable and accrued liabilities	\$ 146,639	—	—	—	—	—	\$ 146,639
Long-term debt (Note 11)	5,494	5,494	5,494	17,324	219,325	—	253,131
Operating leases (Note 21)	29,891	25,124	21,347	15,738	12,658	69,339	174,097
Total	\$ 182,024	30,618	26,841	33,062	231,983	69,339	\$ 573,867

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 \$78,931 (January 31, 2016 – \$79,373). The Company does not have any individual customers greater than 10% of total accounts receivable. At January 31, 2017, the Company's gross maximum credit risk exposure is \$93,315 (January 31, 2016 – \$91,756). Of this amount, \$15,444 (January 31, 2016 – \$14,318) is more than 60 days past due. The Company has recorded an allowance against its maximum exposure to credit risk of \$14,384 (January 31, 2016 – \$12,383) which is based on historical payment records for similar financial assets.

As at January 31, 2017 and 2016, 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 \$1,144. A 100 basis point decrease would cause net earnings to increase by approximately \$1,144.

(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, 2017	Assets (Liabilities) carried at amortized cost		
	Maturity	Carrying amount	Fair value
Cash	Short-term	\$ 30,243	\$ 30,243
Accounts receivable	Short-term	78,931	78,931
Other financial assets	Long-term	1,582	1,582
Accounts payable and accrued liabilities	Short-term	(146,639)	(146,639)
Long-term debt	Long-term	(229,266)	(230,067)

January 31, 2016	Assets (Liabilities) carried at amortized cost		
	Maturity	Carrying amount	Fair value
Cash	Short-term	\$ 37,243	\$ 37,243
Accounts receivable	Short-term	79,373	79,373
Other financial assets	Long-term	1,525	1,525
Accounts payable and accrued liabilities	Short-term	(152,136)	(152,136)
Long-term debt	Long-term	(225,489)	(228,377)

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, 2017, the debt-to-equity ratio was 0.62 compared to 0.63 last year. The debt-to-equity ratio is within the Company's objectives. The debt-to-equity ratio is calculated as follows:

	January 31, 2017	January 31, 2016
Current portion of long-term debt	\$ —	\$ —
Long-term debt	229,266	225,489
Total debt	\$ 229,266	\$ 225,489
Total equity	\$ 367,785	\$ 357,612
Debt-to-equity ratio	0.62	0.63

- (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, 2017 and 2016, 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, 2017.

15. SHARE CAPITAL

Authorized – The Company has an unlimited number of shares.

	Shares	Consideration
Balance at January 31, 2016	48,523,341	\$ 167,910
Issued under option plans (Note 13)	19,173	373
Balance at January 31, 2017	48,542,514	\$ 168,283

16. EXPENSES BY NATURE

Year Ended	January 31, 2017	January 31, 2016
Employee costs (Note 17)	\$ 260,891	\$ 260,600
Amortization	48,367	44,026
Operating lease rentals	30,207	29,494
Other income	(30,168)	(29,497)

17. EMPLOYEE COSTS

Year Ended	January 31, 2017	January 31, 2016
Wages, salaries and benefits including bonus	\$ 246,678	\$ 239,766
Post-employment benefits (Note 12)	7,160	7,084
Share-based compensation (Note 13)	7,053	13,750
Included in the above are the following amounts in respect of key management compensation:		
Wages, salaries and benefits including bonus	\$ 3,957	\$ 5,055
Post-employment benefit expense	1,145	1,155
Share-based compensation	3,913	8,580

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 four senior officers.

18. INTEREST EXPENSE

Year Ended	January 31, 2017	January 31, 2016
Interest on long-term debt	\$ 6,326	\$ 5,355
Net interest on defined benefit plan obligation	1,324	1,250
Interest income	(92)	(120)
Less: interest capitalized	(338)	(275)
Interest expense	\$ 7,220	\$ 6,210

19. DIVIDENDS

The following is a summary of the dividends recorded in retained earnings and paid in cash:

Year Ended	January 31, 2017	January 31, 2016
Dividends recorded in retained earnings and paid in cash	\$ 60,169	\$ 58,210
Dividends per share	\$ 1.24	\$ 1.20

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 15, 2017, the Board of Directors declared a dividend of \$0.32 per common share to be paid on April 17, 2017 to shareholders of record as of the close of business on March 31, 2017.

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, 2017	January 31, 2016
Diluted earnings per share calculation:		
Net earnings for the year (numerator for diluted earnings per share)	\$ 77,076	\$ 69,779
Weighted-average shares outstanding (denominator for basic earnings per share)	48,524	48,509
Dilutive effect of share-based compensation	440	274
Denominator for diluted earnings per share	48,964	48,783
Basic earnings per share	\$ 1.59	\$ 1.44
Diluted earnings per share	\$ 1.57	\$ 1.43

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, 2017		January 31, 2016	
	Land and buildings	Other leases	Land and buildings	Other leases
Due within 1 year	\$ 29,030	\$ 861	\$ 29,488	\$ 633
Within 2 to 5 years inclusive	73,889	978	77,306	611
After 5 years	69,339	—	56,623	—

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, 2017, the Company owns 37 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 significant 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 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 financial statements with respect to these indemnification agreements.

23. SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

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

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

The investment in jointly controlled entities comprises a 50% interest in a Canadian Arctic shipping company, Transport Nanuk Inc. At January 31, 2017, the Company's share of the net assets of its jointly controlled entity amount to \$9,930 (January 31, 2016 – \$10,119), comprised assets of \$11,137 (January 31, 2016 - \$11,277) and liabilities of \$1,207 (January 31, 2016 – \$1,158). During the year ended January 31, 2017 the Company purchased freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries of \$8,217 (January 31, 2016 – \$7,274). The contract terms are based on market rates for these types of services on similar arm's length transactions.

24. SUBSEQUENT EVENT - 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 seven retail outlets, two Cash and Carry stores and a significant wholesale operation. The purchase price was US\$27,044 consisting of cash consideration of US\$23,997 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.

Given the timing of the transaction, the preliminary purchase price allocation is not yet available.