ANNUAL REPORT

FOR THE 52-WEEK PERIOD ENDED MARCH 28, 2015

"Creativity has got to start with humanity"

— Marilyn Monroe

Indigo

Enrich your life™

Indigo Chapters Coles indigo.ca

The Indigo Mission

To provide our customers with the most inspiring retail and digital environments in the world for books and life-enriching products and experiences.

Indigo operates under the following banners:
Indigo Books & Music, *Chapters*, *Coles*, *SmithBooks*, *Indigospirit*, *The Book Company*, and *indigo.ca*.
The Company employs approximately 6,200 people across the country.

!ndigo Enrich Your Life, Chapters, !ndigo, Coles and indigo.ca are trade marks of Indigo Books & Music Inc.

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Report of the CEO

Dear Shareholder,

As always it is a pleasure to be writing to you about activities at Indigo.

2014/15 was a year of advancement for our Company. Sales grew across all banners – Indigo, Chapters, Coles and Indigo.ca. In addition, we are pleased to report that EBITDA also saw satisfying growth.

This year we continued with the strategy we put in place three years ago – further positioning ourselves in the minds of our consumers as the world's first cultural department store – a brand rooted deeply in books and stories but with a well curated array of lifestyle product.

Our core book business showed growth for the first time since the advent of e-Reading; our lifestyle businesses grew meaningfully, as did our Indigo kids business.

This trend reinforces that our efforts to transform Indigo and ensure its strong relevance to our consumers are indeed bearing fruit.

It is great to report that this year Indigo was given an impressive nod from Randstad, the global organization that ranks employment brand perception in the marketplace. According to Randstad's Canadian arm, Indigo was named the top Canadian retail employer brand and number six brand overall in Canada across all industries. What I find notable about this is that as the survey talks to Canadians at large – not our actual employees, the ranking is more a reflection of brand affection. To be named #1 in retail is indeed strong affirmation of the value of our brand.

As I write this letter several important initiatives are underway to further advance Indigo's performance. We will be investing in greater supply chain capacity and productivity to drive our ability to provide a seamless omni-channel experience for our customers; a full new format concept is on the drawing board for implementation later this year; we are fully advancing our digital platforms, and, we are once again in the market, after a four year hiatus, to identify new store opportunities.

The Indigo Love of Reading Foundation had another stellar year and there are now thousands of children across Canada who have benefited from the more than $19.5 million that we have invested in school libraries in high needs neighbourhoods.

Teachers, librarians and principals who have been the beneficiaries of Love of Reading grants are unanimous in declaring that these grants are literally life changing for their students. Our goal continues to be raising awareness of the need for low income schools to be richly resourced with books and provoking the Premiers in each province to commit to ensuring this happens. We are in the process of knitting together a broader coalition of support to advance our ambition in this area.

As I have said many times…living through a transformation is challenging. It takes a willingness to experiment, learn and apply the learnings to surface real growth opportunities, as well as careful management of financial resources to ensure that we have the ability to invest intelligently to ensure long term value creation.

It is worth noting while managing our change we have also been able to sustain a strong balance sheet through this entire period and are pleased to report that we will end the year with $203.2 million cash on our balance sheet. This represents an increase of $45.6 million year-over-year.

Speaking of assets…without doubt our most valuable "asset" is the group of people who make up Indigo. I want to take this opportunity to thank every person in our Company. It is only through your ideation, intense effort and team play that we have been able to move Indigo forward. We are truly fortunate to have an incredible and committed group of people. I know I speak on behalf of our entire Executive Team when I say we feel privileged to come to work with all of you every day.

Finally, I want to take this opportunity to thank all our Shareholders who have been patient with us through this period of change. Your sustained support has been hugely valuable to everyone here. We come to work each day committed to adding joy to our customers' lives and enhancing the value of your investment. We hope you share our pride in Indigo, as well as our aspirations for our future.

I look forward to reporting to you again next year.

Heather Reisman
Chair and Chief Executive Officer

Management's Responsibility for Financial Reporting

Management of Indigo Books & Music Inc. ("Indigo") is responsible for the preparation and integrity of the consolidated financial statements as well as the information contained in this report. The following consolidated financial statements of Indigo have been prepared in accordance with International Financial Reporting Standards, which involve management's best judgments and estimates based on available information.

Indigo's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that the consolidated financial statements have been prepared according to and within reasonable limits of materiality and that the financial information throughout this report is consistent with these consolidated financial statements.

Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, serve as Indigo's auditors. Ernst & Young's report on the accompanying consolidated financial statements follows. Their report outlines the extent of their examination as well as an opinion on the consolidated financial statements. The Board of Directors of Indigo, along with the management team, have reviewed and approved the consolidated financial statements and information contained within this report.

Heather Reisman
Chair and Chief Executive Officer

Laura Carr
Chief Financial Officer

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") is prepared as at May 26, 2015 and is based primarily on the consolidated financial statements of Indigo Books & Music Inc. (the "Company" or "Indigo") for the 52-week periods ended March 28, 2015 and March 29, 2014. The Company's consolidated financial statements and accompanying notes are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the accounting policies described therein.

This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes contained in the attached Annual Report. The Annual Report and additional information about the Company, including the Annual Information Form, can be found on SEDAR at *www.sedar.com*.

Overview

Indigo is Canada's largest book, gift, and specialty toy retailer, operating stores in all ten provinces and one territory in Canada and offering online sales through its indigo.ca website. As at March 28, 2015, the Company operated 91 superstores under the banners *Chapters* and *Indigo* and 127 small format stores under the banners *Coles*, *Indigospirit*, *SmithBooks*, and *The Book Company*. During fiscal 2015, the Company closed four superstores and four small format stores. The Company also has a 50% interest in Calendar Club of Canada Limited Partnership ("Calendar Club"), which operates seasonal kiosks and year-round stores in shopping malls across Canada.

Indigo operates a separate registered charity under the name Indigo Love of Reading Foundation (the "Foundation"). The Foundation provides new books and learning material to high-needs elementary schools across the country through donations from Indigo, its customers, suppliers, and employees.

The weighted average number of common shares outstanding for fiscal 2015 was 25,722,640 compared to 25,601,260 last year. As at May 26, 2015, the number of outstanding common shares was 25,495,289 with a book value of $205.9 million. The number of common shares reserved for issuance under the employee stock option plan is 3,324,293 as at May 26, 2015. As at March 28, 2015, there were 1,561,150 stock options outstanding of which 423,090 were exercisable.

General Development of the Business

It has been 18 years since Indigo launched its first superstore with a commitment to enriching Canadians' lives through books and complementary products. Much has changed since then in both the book industry and the larger retail landscape that serves Indigo's customers. The online channel has expanded dramatically, offering consumers an increased number of titles at a lower cost than a traditional physical bookstore along with a broad range of general merchandise. In addition, the digital and mobile channels have provided consumers with a completely new reading platform with instant accessibility, huge selection, and lower costs.

Indigo continues to be proactive in an industry that is undergoing dramatic change and is well underway to establishing itself as the world's first cultural department store, a digital and physical place inspired by and filled with books, ideas, beautifully designed products, and the creative people who make it all happen. As such, the Company remains committed to its transformational agenda and continues to invest in Indigo's brand and the customer experience which will position the Company for sustained growth. More specifically, the Company's priorities remain focused on advancing the core retail business through adapting its physical stores, improving productivity, driving employee engagement, and expanding the Company's online and digital presence.

Indigo's entry into the digital book market began with the launch of Shortcovers in February 2009 as a new digital destination offering online and mobile service with instant access to books, articles and blogs. In December 2009, Indigo transferred the net assets of Shortcovers to a new company, Kobo Inc. ("Kobo"). During fiscal 2011 and 2012, Kobo expanded to become a global digital book leader and subsequently, in January 2012, the Company sold all the outstanding shares of Kobo to Rakuten, Inc. Notwithstanding the sale, Indigo continues to maintain a strong relationship with Kobo, supporting the products, including eInk devices and tablets, and eReading services customers have come to love, and directly benefitting from the growth of the Canadian eReading market.

Indigo has a loyal customer base. The Company has two loyalty programs; irewards is a fee-based loyalty program and the plum rewards program is a free points-based loyalty program. Both programs offer discounts, and plum rewards also offers points on virtually all products in the stores. Combined, the irewards and plum rewards programs have a total of 7.5 million members. The success of these programs creates a rich understanding of the Company's customers, as well as direct marketing and communication opportunities with Indigo's best customers.

The Company's key strategies over the last three years and going forward are outlined below.

Optimizing Physical Stores

To ensure that Indigo's physical stores offer a rich and compelling product assortment, the Company continues to adjust and expand its product mix. Print books remain the core focus of the business. Following a decline in fiscal 2013 and 2014, fiscal 2015 saw a resurgence in physical book sales for both Indigo and the overall market. On the strength of this growth, Indigo will continue to adapt and improve its physical book offering in fiscal 2016 and beyond. Store-specific layout and optimization decisions will be made to achieve the appropriate mix between books and complementary growth categories based on current and projected sales productivity.

Concurrently, Indigo remains committed to becoming the premier year-round gifting destination in Canada. The Company's main growth categories are lifestyle, paper, toys, and electronics. Indigo continues to adapt and improve its physical stores to support these growth categories. Retail stores and their display fixtures are continuously being renovated and refreshed as part of the Company's transformation. During fiscal 2014, Indigo launched 37 Indigotech® shops inside select superstores to showcase an expanded offering of electronic products. The Company continues to expand its lifestyle and paper offerings, as well as its assortment of toys and games with either dedicated toy sections or expanded toy offerings in all of its superstores. In fiscal 2015, the Company launched three American Girl®[1] specialty boutiques inside select superstores. These locations marked the first international retail presence for the iconic brand and reinforced the Company's commitment to the importance of creative play for children. Indigo continues to expand the brand and will be opening new American Girl® specialty boutiques in select locations during fiscal 2016.

The Company also remains committed to expanding its proprietary product development capability, which primarily includes home, paper merchandise, and fashion accessories. This initiative is part of the Company's focus on providing customers with increasingly meaningful and life-enriching merchandise while improving operating margins. To support this initiative, Indigo operates a New York design office and all stores carry a variety of proprietary merchandise developed by this team.

Driving Productivity Improvement

While a key focus of the Company's business is evolving to meet the emerging needs of customers, the Company is also focused on driving productivity improvements. The challenge for the Company is to continually look for innovative ways to drive costs down while improving what Indigo delivers to customers. In particular, over the last three years, the Company has focused on implementing an integrated planning system to improve merchandise management and on implementing supply chain productivity initiatives designed to further reduce costs, deliver improved operating margins, and improve service to customers.

During fiscal 2015, Indigo focused on driving end-to-end productivity, including supply chain projects to improve the flow of merchandise and margin rates. Specifically, the Company drove improved assortment productivity and captured efficiencies in the physical book supply chain. This initiative generated cost savings and will continue to be a focus in fiscal 2016.

[1] American Girl is a registered trademark of American Girl, LLC.

In fiscal 2014, the Company implemented an integrated planning system to improve the merchandise and financial planning for all its categories. The new integrated planning system simplified and eliminated manual work associated with managing all categories. The Company also re-engineered its entire core general merchandising processes and streamlined employees into cross-functional category teams in order to align objectives, accelerate growth of key categories, and improve cross-functional collaboration.

The Company continues to identify productivity opportunities and initiatives as part of its Galileo project. All employees can interact with the internal Galileo social media platform. This platform is designed to cultivate innovation by providing the opportunity for employees to submit, review, vote, and comment on ideas for improving the employee and customer experience. To date, under the umbrella of Galileo, the Company has implemented hundreds of initiatives that have improved operating efficiency while also enhancing employee and customer engagement. These initiatives support continued investments in the Company's overall business transformation. One of the key Galileo projects in fiscal 2014 was systematically organizing retail store backrooms, which drove retail productivity and improved merchandise management.

Going forward, the Company continues to target processes for re-engineering, cost rationalization, and improving customer value. Fiscal 2016 will focus on continuing to drive end-to-end productivity and process efficiency, both in the supply chain and across the Company.

Employee Engagement

Indigo's strategic efforts continue to focus on building and maintaining high levels of employee engagement. In fiscal 2014, the Company conducted an employee engagement survey which showed year-over-year increases in engagement. In April 2015, Indigo's employee engagement focus was also recognized outside of the Company, with Indigo being named as the top Canadian retail employer brand by Randstad Canada for the third year in a row. The award is based on the polling of job seekers in search of employment opportunities in Canada's leading organizations.

The Company realizes that sustaining high levels of employee engagement is an ongoing responsibility and continues to commit resources to specific initiatives designed to make Indigo one of the best places to work. Efforts to boost employee satisfaction include the continuous improvement of core work process design and the implementation of systems upgrades; improvements to communication, training and development, and performance management are also ongoing. In fiscal 2014 and 2015, the Company's employee engagement efforts focused on improving the core work processes, tools, and structure of Indigo's general merchandising teams. During fiscal 2014, the Company also launched a new training module to all new and seasonal store staff to accelerate sales and service capabilities.

In addition to identifying productivity opportunities, the Galileo project, discussed above, also drives employee engagement by empowering all employees to participate in improving the customer and employee experience. The Galileo project and social media platform have been embraced by employees, and project successes are recognized and celebrated internally. Based on employee feedback, improvements to the Galileo processes and social media platform were implemented in fiscal 2014 and will continue to be implemented going forward. The Galileo social media platform continued to grow in membership in fiscal 2015, giving a voice to employees with ideas for improvement and an opportunity to unleash their creativity.

In fiscal 2015, Indigo expanded its employee engagement efforts to include a focus on wellness. A key undertaking was a series of national fitness campaigns and competitions focused on maintaining high levels of daily physical activity, eating healthy at work, and managing stress. The combination of the Company's efforts in this area has led to Indigo's employment brand ranking increasing for the third consecutive year.

Omni-Channel Customer Experience

The distinction between physical and online retail is becoming increasingly blurred as customers expect to have a similar experience with a brand regardless of channel. Recognizing this, Indigo has focused on improving the omni-channel customer experience with initiatives that better integrate retail and online. In fiscal 2013, Indigo launched "buy online, ship to store," an initiative that allows customers to buy products online and have the items shipped to one of the Company's stores for free.

This service provides customers with additional flexibility to decide where and when purchases are picked up and reduces Indigo's shipping costs.

In addition to reshaping Indigo's physical store offerings, the Company's online store has continued to adapt and change. In fiscal 2015, the Company launched a new payment option, allowing customers to choose PayPal when making purchases. The Company also improved upon the French language version of its website. In fiscal 2013, Indigo completed a website redesign which included much richer visual presentations of lifestyle, paper, and toy categories, a simplified checkout experience, a much enhanced mobile experience, a comprehensive gift finder, and an innovative drag and drop capability to ease online shopping. Social media integration, including Facebook, Pinterest, Instagram, and Twitter, also remains a priority. Subsequent to year end, the Company further expanded its payment options by allowing customers to choose Visa Checkout when making purchases.

In fiscal 2014, the Company launched a new mobile application for the iOS and Android platforms to offer a truly integrated and rich experience across Indigo's retail and online channels. Customers can use the mobile application to shop-on-the-go by making purchases online or to check retail inventory prior to visiting a store. Additionally, the application allows customers to scan a product barcode in-store, purchase the product online, and have it shipped to the location of their choice. Personalization is also a key feature of the application, allowing users to create wish lists and access their plum rewards data. In fiscal 2016, Indigo will explore new opportunities to improve its mobile offering and build on the strong core base of app users it has fostered in the last 18 months.

Optimizing Indigo's loyalty program will also be a primary focus in fiscal 2016. The success of the existing plum rewards and irewards programs has created a rich understanding of customer behavior and interests across both retail and online. Going forward, Indigo will become increasingly sophisticated at using this data to personalize each touchpoint with customers across channels and provide a rich omni-channel shopping experience.

Results of Operations

The following three tables summarize selected financial and operational information for the Company for the periods indicated. The classification of financial information presented below is specific to Indigo and may not be comparable to that of other retailers. The selected financial information is derived from the audited consolidated financial statements for the 52-week periods ended March 28, 2015 and March 29, 2014.

Key elements of the consolidated statements of earnings (loss) and comprehensive earnings (loss) for the periods indicated are shown in the following table:

(millions of Canadian dollars)	52-week period ended March 28, 2015	% Revenues	52-week period ended March 29, 2014	% Revenues
Revenue	895.4	100.0	867.7	100.0
Cost of sales	(503.1)	56.2	(494.0)	56.9
Cost of operations	(282.5)	31.6	(284.4)	32.8
Selling, administrative, and other expenses	(89.3)	10.0	(89.2)	10.3
Adjusted EBITDA[1]	20.5	2.3	0.1	0.0

1 Earnings before interest, taxes, depreciation, amortization, impairment, and equity investment. Also see "Non-IFRS Financial Measures".

Selected financial information of the Company for the last three fiscal years is shown in the following table:

(millions of Canadian dollars, except per share data)	52-week period ended March 28, 2015	52-week period ended March 29, 2014	52-week period ended March 30, 2013
Revenue			
Superstores	625.2	607.2	615.2
Small format stores	127.8	127.4	137.6
Online (including store kiosks)	114.0	102.0	91.9
Other	28.4	31.1	34.1
	895.4	867.7	878.8
Net earnings (loss) and comprehensive earnings (loss) for the period	(3.5)	(31.0)	4.3
Total assets	538.4	512.6	569.1
Long-term debt (including current portion)	0.2	0.8	1.5
Working capital	198.7	189.7	224.3
Basic earnings (loss) per share	$(0.14)	$(1.21)	$0.17
Diluted earnings (loss) per share	$(0.14)	$(1.21)	$0.17

Selected operating information of the Company for the last three fiscal years is shown in the following table:

	52-week period ended March 28, 2015	52-week period ended March 29, 2014	52-week period ended March 30, 2013
Comparable Store Sales[1]			
Superstores	6.8%	(0.9%)	(4.6%)
Small format stores	0.8%	(5.0%)	(2.4%)
Stores Closed			
Superstores	4	2	–
Small format stores	4	3	9
	8	5	9
Number of Stores Open at Year-End			
Superstores	91	95	97
Small format stores	127	131	134
	218	226	231
Selling Square Footage at Year-End (in thousands)			
Superstores	2,056	2,200	2,235
Small format stores	361	370	379
	2,417	2,570	2,614

1 See "Non-IFRS Financial Measures".

Revenue Increased

Total consolidated revenue for the 52-week period ended March 28, 2015 increased $27.7 million or 3.2% to $895.4 million from $867.7 million for the 52-week period ended March 29, 2014. The increase in revenue was driven by growth from both the retail and online channels, with growth in the core book business and double-digit growth in lifestyle, paper, and toy sales.

Comparable store sales for the fiscal year increased 6.8% in superstores and 0.8% in small format stores. The increase was mainly driven by the reasons mentioned above. Comparable store sales are defined as sales generated by stores that have been open for more than 12 months on a 52-week basis. It is a key performance indicator for the Company as this measure excludes sales fluctuations due to store closings, permanent relocation, and chain expansion. As at March 28, 2015, the Company operated four fewer superstores and four fewer small format stores compared to March 29, 2014.

Online sales increased by $12.0 million or 11.8% to $114.0 million for the 52-week period ended March 28, 2015 compared to $102.0 million last year. Online sales experienced growth in books and double-digit increases in general merchandise. The number of customers purchasing across both retail and digital channels also increased. This reflects the Company's commitment to developing the digital customer experience and moving towards becoming more omni-channel.

Revenue from other sources include revenue generated through cafés, irewards card sales, revenue from unredeemed gift cards ("gift card breakage"), revenue from unredeemed plum points ("Plum breakage"), corporate sales, and revenue-sharing with Kobo. Revenue from other sources decreased $2.7 million or 8.7% to $28.4 million for the 52-week period ended March 28, 2015 compared to $31.1 million last year primarily as a result of lower irewards membership income, lower breakage from gift cards and plum points, and lower café sales. irewards card sales have decreased by $1.2 million compared to last year. This decrease is consistent with the Company's expectations as members moved to the free plum rewards program. Gift card and plum breakage declined by a total of $1.3 million compared to the prior year, which included a change in plum breakage rate. A consistent rate has been used for both plum and gift card breakage in fiscal 2015.

Revenue by channel is highlighted below:

(millions of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014	% increase (decrease)	Comparable store sales % increase (decrease)
Superstores	625.2	607.2	3.0	6.8
Small format stores	127.8	127.4	0.3	0.8
Online (including store kiosks)	114.0	102.0	11.8	N/A
Other	28.4	31.1	(8.7)	N/A
	895.4	867.7	3.2	5.7

Revenue by product line are as follows:

	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Print [1]	65.2%	67.7%
General merchandise [2]	30.2%	26.5%
eReading [3]	2.0%	2.8%
Other [4]	2.6%	3.0%
Total	100.0%	100.0%

1 Includes books, calendars, magazines, newspapers, and shipping revenue.
2 Includes lifestyle, paper, toys, music, DVDs, electronics, and shipping revenue.
3 Includes eReaders, eReader accessories, Kobo revenue share, and shipping revenue.
4 Includes cafés, irewards, gift card breakage, Plum breakage, and corporate sales.

A reconciliation between total revenue and comparable store sales is provided below:

(millions of Canadian dollars)	Superstores 52-week period ended March 28, 2015	Superstores 52-week period ended March 29, 2014	Small format stores 52-week period ended March 28, 2015	Small format stores 52-week period ended March 29, 2014
Total revenue	625.2	607.2	127.8	127.4
Adjustments for stores not in both fiscal periods	(0.3)	(22.2)	(1.6)	(2.2)
Comparable store sales	624.9	585.0	126.2	125.2

Cost of Sales (as a Percent of Revenue) Decreased

Cost of sales includes the landed cost of goods sold, online shipping costs, inventory shrink and damage reserve, less all vendor support programs. Cost of sales increased $9.1 million to $503.1 million, compared to $494.0 million last year. The increase was driven by higher retail and online sales volumes, as discussed above. This increase was partially offset by margin rate improvements as a result of lower seasonal markdowns and increased vendor support. Margin improvements in most general merchandise categories were partially offset by additional discounting of non-returnable book inventory in the second quarter of the current year. Cost of sales as a percent of total revenue decreased by 0.7% to 56.2%, compared to 56.9% last year.

Cost of Operations (as a Percent of Revenue) Decreased Compared to Last Year

Cost of operations includes all store, store support, online, and distribution centre costs. Cost of operations decreased $1.9 million to $282.5 million this year, compared to $284.4 million last year. Occupancy, retail distribution centre, and store support costs have decreased as a result of operating fewer stores and implementing productivity initiatives, while online costs and store labour costs have increased as a result of higher sales volumes. Compared to the same period last year, occupancy costs were $3.8 million lower, retail distribution centre costs were $1.5 million lower, and store support costs were $0.6 million lower, while online costs were $1.8 million higher and labour costs were $1.6 million higher. As a percent of total revenue, cost of operations decreased by 1.2% to 31.6% this year, compared to 32.8% last year, as a result of both higher revenues and lower costs in the current year.

Selling, Administrative, and Other Expenses (as a Percent of Revenue) Decreased

Selling, administrative, and other expenses include marketing, head office costs, and operating expenses associated with the Company's transformation. These expenses increased $0.1 million to $89.3 million, compared to $89.2 million last year. Compared to last year, in fiscal 2015 the Company had a $5.1 million increase in payments for Indigo's bonus plan and Long-Term Performance and Retention Incentive Program. This increase was partly offset by a decrease in operating expenditures related to strategic projects. Strategic project expenditures were lower by $2.9 million compared to last year as the Company has undertaken fewer transformational projects in the current year. The Company also had a foreign exchange gain of $0.8 million in fiscal 2015 compared to a foreign exchange loss of $0.4 million last year. As a percent of total revenue, selling, administrative, and other expenses decreased by 0.3% to 10.0%, compared to 10.3% last year as a result of higher revenue in the current year.

Adjusted EBITDA Improved Versus Last Year

Adjusted EBITDA, defined as earnings before interest, taxes, depreciation, amortization, impairment, and equity investment increased $20.4 million to $20.5 million for the 52-week period ended March 28, 2015, compared to $0.1 million for the 52-week period ended March 29, 2014. Adjusted EBITDA as a percent of revenue increased to 2.3% this year from 0.0% last year. As discussed above, the improvement was driven by higher sales at improved margin rates and by lower operating costs.

Depreciation, Amortization, and Asset Impairments Decreased Compared to Last Year

Depreciation and amortization for the 52-week period ended March 28, 2015 decreased by $0.8 million to $26.7 million compared to $27.5 million last year. Capital expenditures in fiscal 2015 totalled $17.7 million and included $8.2 million for store construction, renovations and equipment and $6.9 million for intangible assets (primarily application software and internal development costs), and $2.6 million for technology equipment. None of the $2.6 million expenditure in technology equipment was financed through leases. Higher capital expenditures last year were driven by the Company's transformation strategy as a number of capital-intensive projects were implemented, including a new integrated planning system to improve merchandise management and the rollout of Indigotech® shops.

The Company assesses at each reporting date whether there is any indication that capital assets may be impaired. The Company identified impairment and reversal indicators for certain cash-generating units ("CGUs") and groups of CGUs. For capital assets which can be reasonably and consistently allocated to individual stores, the store level is used as the CGU. As a result of identifying impairment and reversal indicators, the Company performed testing which could result in the recognition and reversal of impairment losses. Recoverable amounts for CGUs being tested are based on value in use, which is calculated from discounted cash flow projections over the remaining lease terms, plus any renewal options where renewal is likely.

The Company had $0.5 million of net capital asset reversals during fiscal 2015. Last year, the Company recognized net capital asset impairments of $2.6 million. For both years, impairment losses arose due to stores performing at lower-than-expected profitability and impairment reversals arose due to improved store performance and its impact on the likelihood of lease term renewals. All of the impairment losses and reversals were spread across a number of CGUs at the store level.

Net Interest Income Decreased Compared to Last Year

The Company recognized net interest income of $1.8 million this year compared to $2.3 million last year. The decrease in interest was driven by lower average cash balances compared to last year. Average interest rates also declined during the last quarter of fiscal 2015. The Company nets interest income against interest expense.

Earnings from Equity Investment Decreased

The Company uses the equity method to account for its investment in Calendar Club and recognizes its share of Calendar Club's earnings and losses as part of consolidated net earnings and losses. Indigo recognized net earnings from Calendar Club of $0.7 million this year compared to net earnings of $0.8 million last year. The reduction was driven by higher rents in fiscal 2015 due to better kiosk locations and by the negative impact of foreign exchange rates compared to last year. This increase in expenses was partially offset by higher sales resulting from better kiosk locations in the current year.

Income Tax Expense Decreased Compared to Last Year

The Company recognized net income tax expense of $0.3 million this year compared to net income tax expense of $4.1 million last year. In fiscal 2015, the Company recorded income tax recovery of $0.5 million and an $0.8 million increase in valuation allowance against deferred tax assets, for a total valuation allowance of $12.4 million. Last year, the Company recorded income tax recovery of $7.5 million along with a $11.6 million valuation allowance. The valuation allowance was determined based on management's best estimate of future taxable income that the Company expected to achieve from reviewing its latest forecast. The Company's effective tax rate was (9.7)% for the current year compared to (15.2)% last year. Last year, the initial recording of the Company's valuation allowance resulted in a one-time impact to Indigo's tax rate.

Net Loss Reduced Compared to Last Year

The Company recognized net loss of $3.5 million for the 52-week period ended March 28, 2015 ($0.14 net loss per common share), compared to a net loss of $31.0 million ($1.21 net loss per common share) last year. As discussed above, the improvement was driven by higher revenue and improved margin rates, lower income tax expense, and the reversal of previously recorded capital asset impairments.

Seasonality and Fourth Quarter Results

Indigo's business is highly seasonal and follows quarterly sales and profit (loss) fluctuation patterns, which are similar to those of other retailers that are highly dependent on the December holiday sales season. A disproportionate amount of revenues and profits are earned in the third quarter. As a result, quarterly performance is not necessarily indicative of the Company's performance for the rest of the year. The following table sets out revenue, net earnings (loss) attributable to shareholders of the Company, basic and diluted earnings (loss) per share for the preceding eight fiscal quarters.

	Fiscal quarters							
(millions of Canadian dollars, except per share data)	Q4 Fiscal 2015	Q3 Fiscal 2015	Q2 Fiscal 2015	Q1 Fiscal 2015	Q4 Fiscal 2014	Q3 Fiscal 2014	Q2 Fiscal 2014	Q1 Fiscal 2014
Revenue	186.2	339.4	189.0	180.8	184.3	332.4	179.4	171.5
Total net earnings (loss)	(13.9)	33.0	(8.5)	(14.0)	(14.4)	8.5	(10.1)	(15.0)
Basic earnings (loss) per share	$(0.54)	$1.28	$(0.33)	$(0.55)	$(0.56)	$0.33	$(0.39)	$(0.59)
Diluted earnings (loss) per share	$(0.54)	$1.27	$(0.33)	$(0.55)	$(0.56)	$0.33	$(0.39)	$(0.59)

The Company saw an improvement in consolidated revenue in the fourth quarter of fiscal 2015 compared to last year due to strong growth in online revenue. Total consolidated revenue increased by $1.9 million to $186.2 million compared to $184.3 million in the same quarter last year. Online sales increased by $2.5 million, or 10.4%, to $26.6 million compared to $24.1 million in the same quarter last year. Comparable store sales increased 4.9% in superstores and decreased 0.2% in small format stores.

Net loss in the fourth quarter of fiscal 2015 was $13.9 million compared to a loss of $14.4 million in the same period last year, a $0.5 million improvement. The improvement was driven by higher revenue in the fourth quarter of fiscal 2015. The growth in revenue was partly offset by a lower tax recovery and higher head office costs compared to the same period last year. The Company recognized a $3.5 million income tax recovery in the fourth quarter of fiscal 2015 compared to a $5.8 million income tax recovery in the same period last year. Head office costs increased by $4.0 million in the fourth quarter of fiscal 2015 compared to the same period last year due to the timing of various marketing campaigns and a higher bonus accrual compared to last year.

Overview of Consolidated Balance Sheets

Total Assets

As at March 28, 2015, total assets increased $25.8 million to $538.4 million, compared to $512.6 million as at March 29, 2014. The increase was primarily due to a $45.6 million increase in cash and cash equivalents, partly offset by a $5.0 million reduction in intangible assets and a $3.6 million reduction in property, plant and equipment. The Company generated $37.8 million of cash from working capital in the current year compared to using $19.2 million of cash from working capital last year. As previously discussed, the Company also used less cash for capital expenditures in fiscal 2015 compared to last year as a number of capital-intensive projects were implemented in fiscal 2014. Capital asset purchases in fiscal 2015 totalled $17.7 million compared to $29.2 million last year. This reduction in capital asset purchases during fiscal 2015 drove the reductions in the intangible asset and property, plant and equipment balances.

Total Liabilities

As at March 28, 2015, total liabilities increased $26.3 million to $227.2 million, compared to $200.9 million as at March 29, 2014. The increase was primarily the result of a $25.2 million increase in current and long-term accounts payable and accrued liabilities. The increase was primarily driven by the timing of inventory payments made in the current year compared to last year. Additionally, as previously discussed, the Company had a $4.7 million increase in payments for Indigo's bonus plan and Long-Term Performance and Retention Incentive Program.

Total Equity

Total equity at March 28, 2015 increased $0.6 million to $311.1 million, compared to $311.7 million as at March 29, 2014. The increase in total equity was primarily driven by a reduction in net loss to $3.5 million for the current year compared to net loss of $31.0 million last year. Share capital increased by $2.1 million due to the exercise of stock options. Contributed surplus increased $0.9 million as the expensing of employee stock options and Directors' deferred share units was partially offset by the Company's one-time options repurchase last year, and there was no such repurchase in fiscal 2015.

Working Capital and Leverage

The Company reported working capital of $198.7 million as at March 28, 2015, compared to $189.7 million as at March 29, 2014. The increase was driven by the $45.6 million increase in cash and cash equivalents discussed above, as the Company had both lower expenditures related to its transformation strategy and higher sales in the current year compared to last year. This increase was partially offset by the $25.2 million increase in current and long-term accounts payable and accrued liabilities discussed above.

The Company's leverage position (defined as Total Liabilities to Total Equity) increased to 0.7:1 compared to 0.6:1 year-over-year as total equity increased by a greater percentage than total liabilities.

Overview of Consolidated Statements of Cash Flows

Cash and cash equivalents increased $45.6 million during fiscal 2014 compared to a decrease of $53.0 million last year. The increase in fiscal 2015 was driven by cash flows generated from operating activities of $57.8 million, financing activities of $1.1 million, and the effect of foreign currency exchange rate changes on cash and cash equivalents of $2.0 million. This increase was partially offset by cash used for investing activities of $15.3 million.

Cash Flows from Operating Activities

The Company generated cash flows of $57.8 million from operating activities in fiscal 2015 compared to using $17.3 million last year, an increase of $75.1 million. The Company generated $37.8 million of cash from working capital this year compared to using $19.2 million of cash from working capital last year and had a net loss of $3.5 million this year compared to a net loss of $31.0 million last year. The Company also had $0.5 million of net capital asset reversals in the current year compared to $2.6 million of net capital asset impairments last year.

Cash Flows Used for Investing Activities

The Company used cash flows of $15.3 million for investing activities in fiscal 2015 compared to $25.6 million used for investing activities last year, a decrease of $10.3 million. The Company made significant non-recurring investments last year as part of its transformation strategy, such as implementing an integrated planning system to improve merchandise management and launching 37 Indigotech® shops. The Company also received $1.9 million of interest in the current year compared to $2.5 million last year. Distributions from the equity investment in Calendar Club were $0.5 million in the current year compared to $1.2 million last year.

Total cash spent on capital projects in fiscal 2015 was $17.7 million compared to $29.2 million spent last year, as outlined below:

(millions of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Store construction, renovations, and equipment	8.2	15.2
Intangible assets (primarily application software and internal development costs)	6.9	10.5
Technology equipment	2.6	3.5
	17.7	29.2

Cash Flows from Financing Activities

The Company generated cash flows of $1.1 million from financing activities in fiscal 2015 compared to using $10.2 million last year, an increase of $11.3 million. The Company made no dividend payments in fiscal 2015 compared to $8.3 million of dividend payments last year. The reduction in dividend payments resulted from the suspension of quarterly dividend payments beyond December 3, 2013. The Company also received $1.8 million more from option exercises in the current year than last year. As previously discussed, cash used for financing activities was also higher last year as a result of the Company's options repurchase. The cash payment for the options repurchase was $1.0 million.

Liquidity and Capital Resources

The Company has a highly seasonal business which generates the majority of its revenue and cash flows during the December holiday season. Indigo has minimal accounts receivable and a significant portion of book products are purchased on trade terms with the right to return. Indigo's main sources of capital are cash flows generated from operations, long-term debt, and cash and cash equivalents.

The Company's contractual obligations due over the next five years are summarized below:

(millions of Canadian dollars)	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Operating leases	54.9	82.4	36.1	19.2	192.6
Finance lease obligations	0.2	–	–	–	0.2
Total obligations	55.1	82.4	36.1	19.2	192.8

Based on the Company's liquidity position and cash flow forecast, management expects its current cash position and cash flows generated from operations to be sufficient to meet its working capital needs and debt service requirements for fiscal 2015. In addition, the Company has the ability to reduce capital spending to fund debt requirements if necessary; however, a long-term decline in capital expenditures may negatively impact revenue and profit growth. No dividend has been declared this year.

There can be no assurance that operating levels will not deteriorate over the ensuing fiscal year, which could result in the Company being unable to meet its current working capital and debt service requirements. In addition, other factors not presently known to management could materially and adversely affect Indigo's future cash flows. In such events, the Company would be required to obtain additional capital as is necessary to satisfy its working capital and debt service requirements from other sources. Alternative sources of capital could result in increased dilution to shareholders and may be on terms that are not favourable to the Company.

Accounting Policies

Critical Accounting Judgments and Estimates

The discussion and analysis of Indigo's operations and financial condition are based upon the consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of the consolidated financial statements in conformity with IFRS requires the Company to use judgment and estimation to assess the effects of several variables that are inherently uncertain. These judgments and estimates can affect the reported amounts of assets, liabilities, revenues, and expenses. The Company bases its judgments and estimates on historical experience and other assumptions which management believes to be reasonable under the circumstances. The Company also evaluates its judgments and estimates on an ongoing basis. Methods for determining all material judgments and estimates are consistent with those used in prior periods. The critical accounting judgments and estimates and significant accounting policies of the Company are described in notes 3 and 4 of the consolidated financial statements.

The following items in the consolidated financial statements involve significant judgment or estimation.

Use of judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make judgments, apart from those involving estimation, in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues, and expenses. Actual results may differ from the judgments made by the Company. Information about judgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues, and expenses are discussed below. Information about significant estimates is discussed in the following section.

Impairment

An impairment loss is recognized for the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount. The Company uses judgment when identifying CGUs and when assessing for indicators of impairment.

Intangible assets

Initial capitalization of intangible asset costs is based on the Company's judgment that technological and economic feasibility are confirmed and the project will generate future economic benefits by way of estimated future discounted cash flows that are being generated.

Leases

The Company uses judgment in determining whether a lease qualifies as a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

Deferred tax assets

The recognition of deferred tax assets is based on the Company's judgment. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on management's best estimate of future taxable income that the Company expects to achieve from reviewing its latest forecast. This estimate is adjusted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credit. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. Any difference between the gross deferred tax asset and the amount recognized is recorded on the balance sheet as a valuation allowance. If the valuation allowance decreases as a result of subsequent events, the previously recognized valuation allowance will be reversed. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by the Company based on the specific facts and circumstances.

Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make estimates and assumptions in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues, and expenses. Actual results may differ from the estimates made by the Company, and actual results will seldom equal estimates. Information about estimates that have the most significant effect on the recognition and measurement of assets, liabilities, revenues, and expenses are discussed below.

Revenue

The Company recognizes revenue from unredeemed gift cards ("gift card breakage") if the likelihood of gift card redemption by the customer is considered to be remote. The Company estimates its average gift card breakage rate based on historical redemption rates. The resulting revenue is recognized over the estimated period of redemption based on historical redemption patterns commencing when the gift cards are sold.

The Indigo plum rewards program ("Plum") allows customers to earn points on their purchases. The fair value of Plum points is calculated by multiplying the number of points issued by the estimated cost per point. The estimated cost per point is based on many factors, including the expected future redemption patterns and associated costs. On an ongoing basis, the Company monitors trends in redemption patterns (redemption at each reward level), historical redemption rates (points redeemed as a percentage of points issued) and net cost per point redeemed, adjusting the estimated cost per point based upon expected future activity.

Inventories

The future realization of the carrying amount of inventory is affected by future sales demand, inventory levels, and product quality. At each balance sheet date, the Company reviews its on-hand inventory and uses historical trends and current inventory mix to determine a reserve for the impact of future markdowns which will take the net realizable value of inventory on-hand below cost. Inventory valuation also incorporates a write-down to reflect future losses on the disposition of obsolete merchandise. The Company reduces inventory for estimated shrinkage that has occurred between physical inventory counts and fiscal year end based on historical experience as a percentage of sales. In addition, the Company records a vendor settlement accrual to cover any disputes between the Company and its vendors. The Company estimates this reserve based on historical experience of settlements with its vendors.

Share-based payments

The cost of equity-settled transactions with counterparties is based on the Company's estimate of the fair value of share-based instruments and the number of equity instruments that will eventually vest. The Company's estimated fair value of the share-based instruments is calculated using the following variables: risk-free interest rate; expected volatility; expected time until exercise; and expected dividend yield. Risk-free interest rate is based on Government of Canada bond yields, while all other variables are estimated based on the Company's historical experience with its share-based payments.

Impairment

To determine the recoverable amount of an impaired asset, the Company estimates expected future cash flows at the CGU level and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, the Company makes assumptions about future sales, gross margin rates, expenses, capital expenditures, and working capital investments which are based upon historical experience and expected future performance. Determining the applicable discount rate involves estimating appropriate adjustments to market risk and to Company-specific risk factors.

Property, plant and equipment and intangible assets (collectively, "capital assets")

Capital assets are depreciated over their useful lives, taking into account residual values where appropriate. Assessments of useful lives and residual values are performed annually and take into consideration factors such as technological innovation, maintenance programs, and relevant market information. In assessing residual values, the Company considers the remaining life of the asset, its projected disposal value, and future market conditions.

Accounting Standards Implemented in Fiscal 2015

Adoption of these amendments and standards in fiscal 2015 impacted the Company's results of operations, financial position, and disclosures as follows:

Impairment of Assets ("IAS 36")

In May 2013, the International Accounting Standards Board ("IASB") issued amendments to IAS 36 which require disclosures about assets or CGUs for which an impairment loss was recognized or reversed during the period. The amendments are effective for annual periods beginning on or after January 1, 2014 and must be applied prospectively. Additional information is disclosed through the notes to financial statements as required.

Levies ("IFRIC 21")

The IASB has issued IFRIC 21, an interpretation that provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, "Provisions, Contingent Liabilities, and Contingent Assets," and those where the timing and amount of the levy is certain. A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation. This interpretation is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. Implementation of IFRIC 21 had no impact on the Company's results of operations, financial position, or disclosures.

Financial Instruments: Presentation ("IAS 32")

The IASB issued amendments to IAS 32 that clarify its requirements for offsetting financial instruments. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2014. Implementation of these amendments had no impact on the Company's results of operations, financial position, or disclosures.

New Accounting Pronouncements

Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, a new standard that specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 supersedes IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. Application of IFRS 15 is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments, and insurance contracts. IFRS 15 must be applied for reporting periods beginning on or after January 1, 2018 and early adoption is permitted. The Company is assessing the impact of adopting this standard on its results of operations, financial position, and disclosures. The Company plans to apply this standard for reporting periods beginning on or after January 1, 2018.

Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, "Financial Instruments: Recognition and Measurement," and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is assessing the impact of the new standard on its results of operations, financial position, and disclosures. The Company plans to apply this standard for reporting periods beginning on or after January 1, 2018.

Risks and Uncertainties

Competition

The retail book selling business is highly competitive and continues to experience fundamental changes. Specialty bookstores, independents, other book superstores, regional multi-store operators, supermarkets, drug stores, warehouse clubs, mail order clubs, Internet booksellers, mass merchandisers, and other retailers continue to sell and even expand physical book offerings, often at substantially discounted prices. This increased competition may negatively impact the Company's revenues and margins.

The highly competitive digital book industry continues to evolve and grow. The number of retailers selling eBooks has increased, as have the number of retailers selling eReaders. The technology continues to change, with eReader technology widely available on tablets and mobile devices and new eReading devices being released with expanded capabilities. Growth of the digital book industry has had a negative impact on physical book sales and the continued evolution and expansion of this industry may have an adverse effect on the Company's revenues if consumers further reduce their future purchases of physical books in favour of eBooks.

The general merchandise retail landscape contains a significant amount of competition from established retailers and there can be no assurances that the Company will be able to gain market share. The Company competes with local, regional, national, and international retailers that sell gift and specialty toy products in stores and online. New competitors frequently enter the market and existing competitors may enter or increase market presence, expand merchandise offerings, add new sales channels, or change their pricing methods, all of which increase competition for customers. If the Company is unable to gain market share, Indigo's revenues could be adversely affected.

Aggressive merchandising or discounting by competitors in the retail, online, or digital sectors could reduce the Company's revenues, market share, and operating margins.

Company Transformation

To offset the continued decline of physical book sales, the Company continues to adjust its merchandise mix to grow general merchandise categories. The Company's expansion into new markets and general merchandise could place a significant strain on Indigo's management, operations, technical performance, financial resources, and internal financial control and reporting functions. Additionally, the Company continues to invest in optimizing its physical stores while also refining its website and digital application. The Company will continue to change and modify this strategy and there can be no assurances that the Company's strategy will be successful.

Relationships with Suppliers

The Company relies heavily on suppliers to provide book and general merchandise at appropriate margins and in accordance with agreed-upon terms and timelines. Failure to maintain favorable terms and relationships with suppliers, the absence of key suppliers, or delays in Indigo's ability to acquire books or merchandise on time may affect the Company's ability to compete in the marketplace. As the Company continues to source a greater portion of its products from overseas, events causing disruptions of imports, changes in restrictions, or currency fluctuations could negatively impact revenues and margins of the Company.

Inventory Management

The Company must manage its inventory levels to successfully operate the business. Inability to respond to changing customer preferences may result in excess inventory which must be sold at lower prices, or an inventory shortage. Additionally, as a result of purchasing more general merchandise, the Company has an increasing amount of non-returnable inventory. The Company monitors the impact of customer trends on inventory turnover and obsolescence, but inappropriate inventory levels could negatively impact the Company's revenues and financial performance.

Product Quality and Product Safety

The Company sells products produced by third party manufacturers. Some of these products may expose the Company to potential liabilities and costs associated with defective products, product handling, and product safety. These risks could expose the Company to product liability claims, damage the Company's reputation, and lead to product recalls. The Company has policies and controls in place to manage these risks, including providing third party manufacturers with product safety guidance and maintaining liability insurance.

As part of its growth in general merchandise, the Company sells food products and is subject to risks associated with food safety. A significant outbreak of food-borne illness or other public health concerns related to food products could result in harm to the Company's customers, negative publicity, and product liability claims. The Company has processes in place to identify risks, communicate to employees and consumers, and ensure that potentially harmful products are not available for sale. The Company also applies quality management procedures to ensure it meets all food safety and regulatory requirements.

Although the Company has policies and procedures in place to manage these risks, liabilities and costs related to product quality and product safety may have a negative impact on the Company's revenues and financial performance.

Leases

The average unexpired lease term of Indigo's superstores and small format stores is approximately 3.4 years and 1.8 years, respectively. The Company attempts to renew these leases as they come due on favourable terms and conditions, but is susceptible to volatility in the market for supercentre and shopping mall space. Unforeseen increases in occupancy costs, or costs incurred as a result of unanticipated store closing and relocation could unfavourably impact the Company's performance.

Technology and Online

Information management and technology are key components to the ongoing competitiveness and daily operation of the business. If the Company's investment in technology fails to support Indigo's growth initiatives or to keep pace with technological changes, Indigo's competitiveness may be compromised. The Company has also increased its investment in developing improvements to the digital customer experience, but there can be no assurances that the Company will be able to recoup its investment costs. Furthermore, if systems are damaged or cease to function properly, capital investment may be required and the Company may suffer business interruptions in the interim. Such systems and controls are pervasive throughout Indigo's business, and failures in their maintenance or development could have a significant adverse effect on the business.

Cybersecurity

A failure in, or breach of, the Company's operational or security systems or infrastructure, or those of Indigo's third party vendors and other service providers, including as a result of cyber attacks, could disrupt the business, result in the disclosure or misuse of confidential or proprietary information, damage Indigo's reputation, increase the Company's costs, and cause losses. Although Indigo has business continuity plans and other safeguards in place, along with robust information security procedures and controls, the Company's business operations may be adversely affected by significant and widespread disruption to Indigo's physical infrastructure or operating systems that support the Company's business and customers. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance Indigo's protective measures, or to investigate and remediate any information security vulnerabilities.

Dependence on Key Personnel

Indigo's continued success will depend to a significant extent upon its management group, which has developed specialized skills and an in-depth knowledge of the business. The loss of the services of key personnel, particularly Ms. Reisman, could have a material adverse effect on Indigo. To mitigate the risk of personnel loss, the Company has implemented a number of employee engagement and retention strategies.

Economic Environment

Traditionally, retail businesses are highly susceptible to market conditions in the economy. A decline in consumer spending, especially over the December holiday season, could have an adverse effect on the Company's financial condition. Other variables, such as unanticipated increases in merchandise costs, higher labour costs, increases in shipping rates or interruptions in shipping service, foreign exchange fluctuations, or higher interest rates or unemployment rates, could also unfavourably impact the Company's financial performance.

Disaster Recovery and Business Continuity

Weather conditions, as well as events such as political or social unrest, natural disasters, disease outbreaks, or acts of terrorism, could have a material adverse effect on the Company's financial performance. Moreover, if such events were to occur at peak times in the Company's annual business cycle, the impact of these events on operating performance could be significantly greater than they would otherwise have been. The Company has procedures in place to reduce the impact of business interruptions, crises, and potential disasters, but there can be no assurance that these procedures can fully eliminate the negative impact of such events.

Regulatory Environment

The distribution and sale of products, along with communications to customers, are regulated by a number of laws and regulations. Changes to statutes, laws, regulations or regulatory policies, or changes in their interpretation, implementation or enforcement, could adversely affect the Company's operations and performance. The Company may also incur significant costs in the course of complying with any changes to applicable regulations. Failure to comply with applicable regulations could result in judgment, sanctions, or financial penalties that could adversely impact the Company's reputation and financial performance. The Company believes that it has taken reasonable measures designed to ensure compliance with applicable regulations, but there is no assurance that the Company will always be deemed to be in compliance.

Additionally, the distribution and sale of books is a regulated industry in which foreign ownership is generally not permitted under the Investment Canada Act. As well, the sourcing and importation of books is governed by the Book Importation Regulations to the Copyright Act (Canada). There is no assurance that the existing regulatory framework will not change in the future or that it will be effective in preventing foreign-owned retailers from competing in Canada. An increased number of competitors could have an adverse effect on the Company's financial performance.

Credit, Foreign Exchange, and Interest Rate Risks

The Company's maximum exposure to credit risk at May 26, 2015, is equal to the carrying value of accounts receivable. Accounts receivable primarily consists of receivables from retail customers who pay by credit card, recoveries of credits from suppliers for returned or damaged products, and receivables from other companies for sales of products, gift cards, and other services. Credit card payments have minimal credit risk and the limited number of corporate receivables is closely monitored.

The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. Decreases in the value of the Canadian dollar relative to the U.S. dollar could negatively impact net earnings since the purchase price of some of the Company's products are negotiated with vendors in U.S. dollars, while the retail price to Indigo's customers is set in Canadian dollars. Historically, the Company has purchased U.S. dollars at the spot rate in order to fund inventory purchases. However, given the recent volatility of the Canadian dollar and the increasing volume of Indigo's U.S. dollar purchases, the Company is reviewing its hedging methodology to implement a more formal policy for mitigation of foreign exchange risk.

The Company's interest rate risk is limited to its long-term debt (finance leases), for which interest rates are fixed at the time a contract is finalized. The Company's interest income is also sensitive to fluctuations in Canadian interest rates, which affect the interest earned on the Company's cash and cash equivalents. The Company has minimal interest rate risk and does not use any interest rate swaps to manage its risk.

Legal Proceedings

In the normal course of business, Indigo becomes involved in various claims and litigation. While the final outcome of such claims and litigation pending as at March 28, 2015 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company's financial position.

Trademark and Brand Protection

The Company has developed, and continues to develop, a line of proprietary products as well as various digital innovations. Infringement on the intellectual property developed by Indigo may have a negative effect on the Company's financial position. In order to protect the competitive advantage provided by these products and innovations, the Company has processes in place to secure and defend its intellectual property.

Workplace Health and Safety

The failure of the Company to adhere to appropriate health and safety procedures and to ensure compliance with applicable laws and regulations could result in employee injuries, productivity loss, and liabilities to Indigo. To reduce the risk of workplace incidents, the Company has health and safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements.

Compliance with Privacy Laws

The Personal Information Protection and Electronic Documents Act ("PIPEDA") applies to all organizations that collect, use, or disclose personal information in Canada over the course of commercial activities, except to the extent that provincial privacy legislation has been enacted and declared substantially similar to the federal legislation. To date, certain provinces have enacted "substantially similar" private sector privacy legislation. The federal privacy legislation also regulates the inter-provincial collection, use, and disclosure of personal information. Applicable Canadian privacy laws create certain obligations on organizations that handle personal information, including obligations relating to obtaining appropriate consent, limitations on use and disclosure of personal information, and ensuring appropriate security safeguards are in place. In the course of its business, the Company maintains records containing sensitive information identifying or relating to individual customers and employees. Although the Company has implemented systems to comply with applicable privacy laws in connection with the collection, use, and disclosure of such personal information, if a significant failure of such systems was to occur, the Company's business and reputation could be adversely affected.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported on a timely basis to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), so that appropriate decisions can be made by them regarding public disclosure.

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," the CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of such disclosure controls and procedures. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at March 28, 2015.

Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," the CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of such internal controls over financial reporting using the framework established in the Internal Control – Integrated Framework ("COSO Framework") published in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at March 28, 2015.

Changes in Internal Controls over Financial Reporting

Management has also evaluated whether there were changes in the Company's internal controls over financial reporting that occurred during the period beginning on December 28, 2014 and ended on March 28, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company has determined that no material changes in internal controls over financial reporting have occurred in this period.

Cautionary Statement Regarding Forward-Looking Statements

The above discussion includes forward-looking statements. All statements other than statements of historical facts included in this discussion that address activities, events, or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions and analysis made by the Company in light of its experience, analysis, and its perception of historical trends, current conditions, and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform to the expectations and predictions of the Company is subject to a number of risks and uncertainties, including the general economic, market, or business conditions; competitive actions by other companies; changes in laws or regulations; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this discussion are qualified by these cautionary statements and there can be no assurance that results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

Non-IFRS Financial Measures

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). In order to provide additional insight into the business, the Company has also provided non-IFRS data, including comparable store sales and adjusted EBITDA, in the discussion and analysis section above. These measures are specific to Indigo and have no standardized meaning prescribed by IFRS. Therefore, these measures may not be comparable to similar measures presented by other companies.

Comparable stores sales and adjusted EBITDA are key indicators used by the Company to measure performance against internal targets and prior period results. Both measures are commonly used by financial analysts and investors to compare Indigo to other retailers. Comparable store sales are defined as sales generated by stores that have been open for more than 12 months on a 52-week basis. It is a key performance indicator for the Company as this measure excludes sales fluctuations due to store closings, permanent relocation, and chain expansion. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment, and equity investment. The method of calculating adjusted EBITDA is consistent with that used in prior periods.

A reconciliation between comparable store sales and revenue (the most comparable IFRS measure) was included earlier in this report. A reconciliation between adjusted EBITDA and earnings (loss) before income taxes (the most comparable IFRS measure) is provided below:

(millions of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Adjusted EBITDA	20.5	0.1
Depreciation of property, plant, and equipment	(14.8)	(16.4)
Amortization of intangible assets	(11.9)	(11.1)
Net reversal (impairment) of capital assets	0.5	(2.6)
Interest on long-term debt and financing charges	(0.1)	(0.1)
Interest income on cash and cash equivalents	1.9	2.4
Share of earnings from equity investment	0.7	0.8
Loss before income taxes	(3.2)	(26.9)

Independent Auditors' Report

To the Shareholders of Indigo Books & Music Inc.

We have audited the accompanying consolidated financial statements of Indigo Books & Music Inc., which comprise the consolidated balance sheets as at March 28, 2015 and March 29, 2014, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the 52 week periods ended March 28, 2015 and March 29, 2014 and 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.

Auditors' 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 audits 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 auditors' 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 auditors consider 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 Indigo Books & Music Inc. as at March 28, 2015 and March 29, 2014 and its financial performance and its cash flows for the 52-week periods then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 26, 2015

Consolidated Balance Sheets

(thousands of Canadian dollars)	As at March 28, 2015	As at March 29, 2014
ASSETS		
Current		
Cash and cash equivalents (note 6)	203,162	157,578
Accounts receivable	4,896	5,582
Inventories (note 7)	208,395	218,979
Income taxes recoverable	25	–
Prepaid expenses	5,477	5,184
Total current assets	421,955	387,323
Property, plant and equipment (note 8)	54,886	58,476
Intangible assets (note 9)	16,587	21,587
Equity investment (note 20)	726	598
Deferred tax assets (note 10)	44,241	44,604
Total assets	538,395	512,588
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 19)	160,645	136,428
Unredeemed gift card liability (note 19)	48,211	46,827
Provisions (note 11)	913	928
Deferred revenue	13,298	12,860
Current portion of long-term debt (notes 12 and 18)	172	584
Total current liabilities	223,239	197,627
Long-term accrued liabilities (note 19)	3,841	2,896
Long-term provisions (note 11)	110	164
Long-term debt (notes 12 and 18)	56	227
Total liabilities	227,246	200,914
Equity		
Share capital (note 13)	205,871	203,812
Contributed surplus (note 14)	9,770	8,820
Retained earnings	95,508	99,042
Total equity	311,149	311,674
Total liabilities and equity	538,395	512,588

See accompanying notes

On behalf of the Board:

Heather Reisman
Director

Michael Kirby
Director

Consolidated Statements of Loss and Comprehensive Loss

(thousands of Canadian dollars, except per share data)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Revenue (note 15)	895,376	867,668
Cost of sales	(503,059)	(493,955)
Gross profit	392,317	373,713
Operating, selling, and administrative expenses (notes 8, 9 and 15)	(398,031)	(403,693)
Operating loss	(5,714)	(29,980)
Interest on long-term debt and financing charges	(69)	(95)
Interest income on cash and cash equivalents	1,906	2,377
Share of earnings from equity investment (note 20)	655	789
Loss before income taxes	(3,222)	(26,909)
Income tax recovery (expense) (note 10)		
Current	51	37
Deferred	(363)	(4,127)
Net loss and comprehensive loss for the period	(3,534)	(30,999)
Net loss per common share (note 16)		
Basic	$(0.14)	$(1.21)
Diluted	$(0.14)	$(1.21)

See accompanying notes

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance, March 30, 2013	203,805	8,128	138,389	350,322
Net loss for the 52-week period ended March 29, 2014	–	–	(30,999)	(30,999)
Exercise of options (notes 13 and 14)	7	–	–	7
Share-based compensation	–	1,242	–	1,242
Directors' compensation (note 14)	–	425	–	425
Dividends paid (note 13)	–	–	(8,348)	(8,348)
Repurchase of options (note 14)	–	(975)	–	(975)
Balance, March 29, 2014	203,812	8,820	99,042	311,674
Balance, March 29, 2014	**203,812**	**8,820**	**99,042**	**311,674**
Net loss for the 52-week period ended March 28, 2015	**–**	**–**	**(3,534)**	**(3,534)**
Exercise of options (notes 13 and 14)	**2,059**	**(301)**	**–**	**1,758**
Share-based compensation	**–**	**910**	**–**	**910**
Directors' compensation (note 14)	**–**	**341**	**–**	**341**
Balance, March 28, 2015	**205,871**	**9,770**	**95,508**	**311,149**

See accompanying notes

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(3,534)	(30,999)
Add (deduct) items not affecting cash		
Depreciation of property, plant, and equipment (note 8)	14,789	16,358
Amortization of intangible assets (note 9)	11,913	11,123
Net impairment (reversal) of capital assets (note 8)	(458)	2,604
Loss on disposal of capital assets	92	302
Stock-based compensation (note 14)	910	1,242
Directors' compensation (note 14)	341	425
Deferred tax assets (note 10)	363	4,127
Other	(1,960)	(206)
Net change in non-cash working capital balances (note 17)	37,841	(19,196)
Interest on long-term debt and financing charges	69	95
Interest income on cash and cash equivalents	(1,906)	(2,377)
Income taxes received	26	26
Share of earnings from equity investment (note 20)	(655)	(789)
Cash flows from (used in) operating activities	57,831	(17,265)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment (note 8)	(10,832)	(18,700)
Addition of intangible assets (note 9)	(6,914)	(10,546)
Distributions from equity investment (note 20)	527	1,159
Interest received	1,898	2,463
Cash flows used in investing activities	(15,321)	(25,624)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(586)	(814)
Interest paid	(67)	(110)
Proceeds from share issuances (note 13)	1,758	7
Dividends paid (note 13)	–	(8,348)
Repurchase of options (note 14)	–	(975)
Cash flows from (used in) financing activities	1,105	(10,240)
Effect of foreign currency exchange rate changes on cash and cash equivalents	1,969	145
Net increase (decrease) in cash and cash equivalents during the period	45,584	(52,984)
Cash and cash equivalents, beginning of period	157,578	210,562
Cash and cash equivalents, end of period	203,162	157,578

See accompanying notes

Notes to Consolidated Financial Statements

March 28, 2015

1. CORPORATE INFORMATION

Indigo Books & Music Inc. (the "Company" or "Indigo") is a corporation domiciled and incorporated under the laws of the Province of Ontario in Canada. The Company's registered office is located at 468 King Street West, Toronto, Ontario, M5V 1L8, Canada. The consolidated financial statements of the Company comprise the Company, its equity investment in Calendar Club of Canada Limited Partnership ("Calendar Club"), and its wholly-owned subsidiary, Soho Inc. The Company is the ultimate parent of the consolidated organization.

2. NATURE OF OPERATIONS

Indigo is Canada's largest book, gift and specialty toy retailer and was formed as a result of an amalgamation of Chapters Inc. and Indigo Books & Music, Inc. under the laws of the Province of Ontario, pursuant to a Certificate of Amalgamation dated August 16, 2001. The Company operates a chain of retail bookstores across all ten provinces and one territory in Canada, including 91 superstores (2014 – 95) under the *Chapters* and *Indigo* names, as well as 127 small format stores (2014 – 131) under the banners *Coles*, *Indigospirit*, *SmithBooks*, and *The Book Company*. In addition, the Company operates *indigo.ca*, an e-commerce retail destination that sells books, gifts, toys, and paper products. The Company also operates seasonal kiosks and year-round stores in shopping malls across Canada through Calendar Club.

The Company's operations are focused on the merchandising of products and services in Canada. As such, the Company presents one operating segment in its consolidated financial statements.

Indigo also has a separate registered charity under the name Indigo Love of Reading Foundation (the "Foundation"). The Foundation provides new books and learning material to high-needs elementary schools across the country through donations from Indigo, its customers, suppliers, and employees.

3. BASIS OF PREPARATION

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") and using the accounting policies described herein.

These consolidated financial statements were approved by the Company's Board of Directors on May 26, 2015.

Fiscal Year

The fiscal year of the Company ends on the Saturday closest to March 31. Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle, which periodically necessitates a fiscal year of 53 weeks. The years ended March 28, 2015 and March 29, 2014 both contained 52 weeks. The next 53-week year will occur in fiscal 2016.

Use of Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make judgments, apart from those involving estimation, in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues, and expenses. Actual results may differ from the judgments made by the Company. Information about judgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues, and expenses are discussed below. Information about significant estimates is discussed in the following section.

Impairment

An impairment loss is recognized for the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount. The Company uses judgment when identifying CGUs and when assessing for indicators of impairment.

Intangible assets

Initial capitalization of intangible asset costs is based on the Company's judgment that technological and economic feasibility are confirmed and the project will generate future economic benefits by way of estimated future discounted cash flows that are being generated.

Leases

The Company uses judgment in determining whether a lease qualifies as a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

Deferred tax assets

The recognition of deferred tax assets is based on the Company's judgment. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on management's best estimate of future taxable income that the Company expects to achieve from reviewing its latest forecast. This estimate is adjusted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credit. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. Any difference between the gross deferred tax asset and the amount recognized is recorded on the balance sheet as a valuation allowance. If the valuation allowance decreases as the result of subsequent events, the previously recognized valuation allowance will be reversed. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by the Company based on the specific facts and circumstances.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make estimates and assumptions in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues, and expenses. Actual results may differ from the estimates made by the Company, and actual results will seldom equal estimates. Information about estimates that have the most significant effect on the recognition and measurement of assets, liabilities, revenues, and expenses are discussed below.

Revenue

The Company recognizes revenue from unredeemed gift cards ("gift card breakage") if the likelihood of gift card redemption by the customer is considered to be remote. The Company estimates its average gift card breakage rate based on historical redemption rates. The resulting revenue is recognized over the estimated period of redemption based on historical redemption patterns commencing when the gift cards are sold.

The Indigo plum rewards program ("Plum") allows customers to earn points on their purchases. The fair value of Plum points is calculated by multiplying the number of points issued by the estimated cost per point. The estimated cost per point is based on many factors, including the expected future redemption patterns and associated costs. On an ongoing basis, the Company monitors trends in redemption patterns (redemption at each reward level), historical redemption rates (points redeemed as a percentage of points issued) and net cost per point redeemed, adjusting the estimated cost per point based upon expected future activity.

Inventories

The future realization of the carrying amount of inventory is affected by future sales demand, inventory levels, and product quality. At each balance sheet date, the Company reviews its on-hand inventory and uses historical trends and current inventory mix to determine a reserve for the impact of future markdowns which will take the net realizable value of inventory on-hand below cost. Inventory valuation also incorporates a write-down to reflect future losses on the disposition of obsolete merchandise. The Company reduces inventory for estimated shrinkage that has occurred between physical inventory counts and fiscal year end based on historical experience as a percentage of sales. In addition, the Company records a vendor settlement accrual to cover any disputes between the Company and its vendors. The Company estimates this reserve based on historical experience of settlements with its vendors.

Share-based payments

The cost of equity-settled transactions with counterparties is based on the Company's estimate of the fair value of share-based instruments and the number of equity instruments that will eventually vest. The Company's estimated fair value of the share-based instruments is calculated using the following variables: risk-free interest rate; expected volatility; expected time until exercise; and expected dividend yield. Risk-free interest rate is based on Government of Canada bond yields, while all other variables are estimated based on the Company's historical experience with its share-based payments.

Impairment

To determine the recoverable amount of an impaired asset, the Company estimates expected future cash flows at the CGU level and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, the Company makes assumptions about future sales, gross margin rates, expenses, capital expenditures, and working capital investments, which are based upon historical experience and expected future performance. Determining the applicable discount rate involves estimating appropriate adjustments to market risk and to Company-specific risk factors.

Property, plant and equipment and intangible assets (collectively, "capital assets")

Capital assets are depreciated over their useful lives, taking into account residual values where appropriate. Assessments of useful lives and residual values are performed annually and take into consideration factors such as technological innovation, maintenance programs, and relevant market information. In assessing residual values, the Company considers the remaining life of the asset, its projected disposal value, and future market conditions.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Measurement

The Company's consolidated financial statements are prepared on the historical cost basis of accounting, except as disclosed in the accounting policies set out below.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company. Control exists when the Company is exposed to, or has the right to, variable returns from its involvement with the controlled entity and when the Company has the current ability to affect those returns through its power over the controlled entity. When the Company does not own all of the equity in a subsidiary, the non-controlling interest is disclosed as a separate line item in the consolidated balance sheets and the earnings accruing to non-controlling interest holders is disclosed as a separate line item in the consolidated statements of earnings (loss) and comprehensive earnings (loss).

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Once control ceases, the Company will reassess the relationship with the former subsidiary and revise Indigo's accounting policy based on the Company's remaining percentage of ownership. All intercompany balances and transactions and any unrealized gains and losses arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

Equity Investment

The equity method of accounting is applied to investments in companies where Indigo has the ability to exert significant influence over the financial and operating policy decisions of the company but lacks control or joint control over those policies. Under the equity method, the Company's investment is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the investment, and for impairment losses after the initial recognition date. The Company's share of losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the company. The Company's share of earnings and losses of its equity investment are recognized through profit or loss during the period. Cash distributions received from the investment are accounted for as a reduction in the carrying amount of the Company's equity investment.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less at the date of acquisition. Cash is considered to be restricted when it is subject to contingent rights of a third-party customer, vendor, or government agency.

Inventories

Inventories are valued at the lower of cost, determined on a moving average cost basis, and market, being net realizable value. Costs include all direct and reasonable expenditures that are incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business. When the Company permanently reduces the retail price of an item and the markdown incurred brings the retail price below the cost of the item, there is a corresponding reduction in inventory recognized in the period. Vendor rebates are recorded as a reduction in the price of the products, and corresponding inventories are recorded net of vendor rebates.

Prepaid Expenses

Prepaid expenses include store supplies, rent, license fees, maintenance contracts, and insurance. Store supplies are expensed as they are used while other costs are amortized over the term of the contract.

Income Taxes

Current income taxes are the expected taxes payable or receivable on the taxable earnings or loss for the period. Current income taxes are payable on taxable earnings for the period as calculated under Canadian taxation guidelines, which differs from taxable earnings under IFRS. Calculation of current income taxes is based on tax rates and tax laws that have been enacted, or substantively enacted, by the end of the reporting period. Current income taxes relating to items recognized directly in equity are recognized in equity and not in the consolidated statements of earnings (loss) and comprehensive earnings (loss).

Deferred income taxes are calculated at the reporting date using the liability method based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax assets and liabilities on temporary differences arising from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, will not be recognized when neither accounting nor taxable profit or loss are affected at the time of the transaction.

Deferred tax assets arising from temporary differences associated with investments in subsidiaries are provided for if it is probable that the differences will reverse in the foreseeable future and taxable profit will be available against which the tax assets may be utilized. Deferred tax assets on temporary differences associated with investments in subsidiaries are not provided for if the timing of the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective periods of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset only when the Company has the right and intention to set off current tax assets and liabilities from the same taxable entity and the same taxation authority.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. Any difference between the gross deferred tax asset and the amount recognized is recorded on the consolidated balance sheet as a valuation allowance. If the valuation allowance decreases as the result of subsequent events, the previously recognized valuation allowance will be reversed.

Property, Plant and Equipment

All items of property, plant and equipment are initially recognized at cost, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Subsequent to initial recognition, property, plant and equipment assets are shown at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins once it becomes available for use. The depreciable amount of an asset, being the cost of an asset less the residual value, is allocated on a straight-line basis over the estimated useful life of the asset. Residual value is estimated to be nil unless the Company expects to dispose of the asset at a value that exceeds the estimated disposal costs. The residual values, useful lives, and depreciation methods applied to assets are reviewed annually based on relevant market information and management considerations.

The following useful lives are applied:

Furniture, fixtures, and equipment	5 – 10 years
Computer equipment	3 – 5 years
Equipment under finance leases	3 – 5 years
Leasehold improvements	over the shorter of useful life and lease term plus expected renewals, to a maximum of 10 years

Items of property, plant and equipment are assessed for impairment as detailed in the accounting policy note on impairment and are derecognized either upon disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition is included in earnings when the asset is derecognized.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards related to ownership of the leased asset to the Company. At lease inception, the related asset is recognized at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding liability amount is recognized as long-term debt.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. If there is no reasonable certainty that the Company will obtain ownership of the financed asset at the end of the lease term, the asset is depreciated over the shorter of its estimated useful life

or the lease term. The corresponding long-term debt is reduced by lease payments less interest paid. Interest payments are expensed as part of interest on long-term debt and financing charges on the consolidated statements of earnings (loss) and comprehensive earnings (loss) over the period of the lease. As at March 28, 2015, computer equipment assets are the only type of asset leased under finance lease arrangements.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company performs quarterly assessments of contracts which do not take the legal form of a lease to determine whether they convey the right to use an asset in return for a payment or series of payments and therefore need to be accounted for as leases. As at March 28, 2015, the Company had no such contracts.

Leased premises

The Company conducts all of its business from leased premises. Leasehold improvements are depreciated over the lesser of their economic life or the initial lease term plus renewal periods where renewal has been determined to be reasonably certain ("lease term"). Leasehold improvements are assessed for impairment as detailed in the accounting policy note on impairment. Leasehold improvement allowances are depreciated over the lease term. Other inducements, such as rent-free periods, are amortized into earnings over the lease term, with the unamortized portion recorded in current and long-term accounts payable and accrued liabilities. As at March 28, 2015, all of the Company's leases on premises were accounted for as operating leases. Expenses incurred for leased premises include base rent, taxes, common area maintenance, and contingent rent based upon a percentage of sales.

Intangible Assets

Intangible assets are initially recognized at cost, if acquired separately, or at fair value, if acquired as part of a business combination. After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

Amortization commences when the intangible assets are available for their intended use. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life. Intangible assets with indefinite lives are not amortized but are reviewed at each reporting date to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Residual value is estimated to be zero unless the Company expects to dispose of the asset at a value that exceeds the estimated disposal costs. The residual values, useful lives, and amortization methods applied to assets are reviewed annually based on relevant market information and management considerations.

The following useful lives are applied:

Computer application software	3 – 5 years
Internal development costs	3 years

Intangible assets are assessed for impairment as detailed in the accounting policy note on impairment. An intangible asset is derecognized either upon disposal or when no future economic benefit is expected from its use. Any gain or loss arising on derecognition is included in earnings when the asset is derecognized.

Computer application software

When computer application software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer application software that is integral to the use of related computer hardware is recorded as property, plant and equipment.

Internal development costs

Costs that are directly attributable to internal development are recognized as intangible assets provided they meet the definition of an intangible asset. Development costs not meeting these criteria are expensed as incurred. Capitalized development costs include external direct costs of materials and services and the payroll and payroll-related costs for employees who are directly associated with the projects.

Impairment Testing

Capital assets

For the purposes of assessing impairment, capital assets are grouped at the lowest levels for which there are largely independent cash inflows and for which a reasonable and consistent allocation basis can be identified. For capital assets which can be reasonably and consistently allocated to individual stores, the store level is used as the CGU for impairment testing. For all other capital assets, the corporate level is used as the group of CGUs. Capital assets and related CGUs or groups of CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events or changes in circumstances which may indicate impairment include a significant change to the Company's operations, a significant decline in performance, or a change in market conditions that adversely affects the Company.

An impairment loss is recognized for the amount by which the carrying amount of a CGU or group of CGUs exceeds its recoverable amount. To determine the recoverable amount, management uses a value in use calculation to determine the present value of the expected future cash flows from each CGU or group of CGUs based on the CGU's estimated growth rate. The Company's growth rate and future cash flows are based on historical data and management's expectations. Impairment losses are charged pro rata to the capital assets in the CGU or group of CGUs. Capital assets and CGUs or groups of CGUs are subsequently reassessed for indicators that a previously recognized impairment loss may no longer exist. An impairment loss is reversed if the recoverable amount of the capital asset, CGU, or group of CGUs exceeds its carrying amount, but only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Evidence of impairment may include indications that a debtor or a group of debtors are experiencing significant financial difficulty, default, or delinquency in interest or principal payments, and observable data indicating that there is a measurable decrease in the estimated future cash flows.

A financial asset is deemed to be impaired if there is objective evidence that one or more loss events having a negative effect on future cash flows of the financial asset occurs after initial recognition and the loss can be reliably measured. The impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The impairment loss is recorded as an allowance and recognized in net earnings. If the impairment loss decreases as the result of subsequent events, the previously recognized impairment loss is reversed.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events for which it is probable that the Company will be required to settle the obligation and a reliable estimate of the settlement can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties of cash flows. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money. Examples of provisions include decommissioning liabilities, onerous leases, and legal claims.

Borrowing Costs

Borrowing costs are primarily composed of interest on the Company's long-term debt. Borrowing costs are capitalized using the effective interest rate method to the extent that they are directly attributable to the acquisition, production, or construction of qualifying assets that require a substantial period of time to get ready for their intended use or sale. All other borrowing costs are expensed as incurred and reported in the consolidated statements of earnings (loss) and comprehensive earnings (loss) as part of interest on long-term debt and finance charges.

Total Equity

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior period retained profits. Dividend distributions payable to equity shareholders are recorded as dividends payable when the dividends have been approved by the Board of Directors prior to the reporting date.

Share-Based Awards

The Company has established an employee stock option plan for key employees. The fair value of each tranche of options granted is estimated on the grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model is based on variables such as: risk-free interest rate; expected volatility; expected time until exercise; and expected dividend yield. Expected stock price volatility is based on the historical volatility of the Company's stock for a period approximating the expected life. The grant date fair value, net of estimated forfeitures, is recognized as an expense with a corresponding increase to contributed surplus over the vesting period. Estimates are subsequently revised if there is an indication that the number of stock options expected to vest differs from previous estimates. Any consideration paid by employees on exercise of stock options is credited to share capital with a corresponding reduction to contributed surplus.

Revenue Recognition

The Company recognizes revenue when the substantial risks and rewards of ownership pass to the customer. Revenue is measured at the fair value of consideration received or receivable by the Company for goods supplied, inclusive of amounts invoiced for shipping and net of sales discounts, returns, and amounts deferred related to the issuance of Plum points. Return allowances are estimated using historical experience. Revenue is recognized when the amount can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company, the costs incurred or to be incurred can be measured reliably, and the criteria for each of the Company's activities (as described below) have been met.

Retail sales

Revenue for retail customers is recognized at the time of purchase.

Online sales

Revenue for online customers is recognized when the product is shipped.

Commission revenue

The Company earns commission revenue through partnerships with other companies and recognizes revenue once services have been rendered and the amount of revenue can be measured reliably.

Gift cards

The Company sells gift cards to its customers and recognizes the revenue as gift cards are redeemed. The Company also recognizes gift card breakage if the likelihood of gift card redemption by the customer is considered to be remote. The Company determines its average gift card breakage rate based on historical redemption rates. Once the breakage rate is determined, the resulting revenue is recognized over the estimated period of redemption based on historical redemption patterns,

commencing when the gift cards are sold. Gift card breakage is included in revenue in the Company's consolidated statements of earnings (loss) and comprehensive earnings (loss).

Indigo irewards loyalty program

For an annual fee, the Company offers loyalty cards to customers that entitle the cardholder to receive discounts on purchases. Each card is issued with a 12-month expiry period. The fee revenue related to the issuance of a card is deferred and amortized into earnings over the expiry period based upon historical sales volumes.

Indigo plum rewards program

Plum is a free program that allows members to earn points on their purchases in the Company's stores and enjoy member pricing at the Company's online website. Members can then redeem points for discounts on future purchases of store merchandise.

When a Plum member purchases merchandise, the Company allocates the payment received between the merchandise and the points. The payment is allocated based on the residual method, where the amount allocated to the merchandise is the total payment less the fair value of the points. The portion of revenue attributed to the merchandise is recognized at the time of purchase. Revenue attributed to the points is recorded as deferred revenue and recognized when points are redeemed.

The fair value of points is calculated by multiplying the number of points issued by the estimated cost per point. The estimated cost per point is determined based on a number of factors, including the expected future redemption patterns and associated costs. On an ongoing basis, the Company monitors trends in redemption patterns (redemption at each reward level), historical redemption rates (points redeemed as a percentage of points issued) and net cost per point redeemed, adjusting the estimated cost per point based upon expected future activity. Points revenue is included as part of total revenue in the Company's consolidated statements of earnings (loss) and comprehensive earnings (loss).

Interest income

Interest income is reported on an accrual basis using the effective interest method.

Vendor Rebates

The Company records cash consideration received from vendors as a reduction to the price of vendors' products. This is reflected as a reduction in cost of goods sold and related inventories when recognized in the consolidated financial statements. Certain exceptions apply where the cash consideration received is a reimbursement of incremental selling costs incurred by the Company, in which case the cash received is reflected as a reduction in operating and administrative expenses.

Earnings Per Share

Basic earnings per share is determined by dividing the net earnings attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the period. The weighted average number of shares used in the computation of both basic and fully diluted earnings per share may be the same due to the anti-dilutive effect of securities.

Financial Instruments

Financial assets and financial 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 the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires. Where a legally enforceable right to offset exists for recognized financial assets and financial liabilities and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, such related financial assets and financial liabilities are offset.

For the purposes of ongoing measurement, financial assets and liabilities are classified according to their characteristics and management's intent. All financial instruments are initially recognized at fair value. The following methods and assumptions were used to estimate the initial fair value of each type of financial instrument by reference to market data and other valuation techniques, as appropriate:

(i) The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities; and

(ii) The fair value of long-term debt is estimated based on the discounted cash payments of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities. The fair value of long-term debt approximates its carrying value.

Embedded derivatives are separated and measured at fair value if certain criteria are met. Management has reviewed all material contracts and has determined that the Company does not currently have any significant embedded derivatives that require separate accounting and disclosure.

After initial recognition, financial instruments are subsequently measured as follows:

Financial assets

(i) Loans and receivables – These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortized cost, less impairment charges, using the effective interest method. Gains and losses are recognized in earnings through the amortization process or when the assets are derecognized.

(ii) Financial assets at fair value through profit or loss – These assets are held for trading if acquired for the purpose of selling in the near term or are designated to this category upon initial recognition. These assets are measured at fair value, with gains or losses recognized in earnings.

(iii) Held-to-maturity investments – These are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Company intends, and is able, to hold until maturity. These assets are measured at amortized cost, less impairment charges, using the effective interest method. Gains and losses are recognized in earnings through the amortization process or when the assets are derecognized.

(iv) Available-for-sale financial assets – These are non-derivative financial assets that are either designated to this category upon initial recognition or do not qualify for inclusion in any of the other categories. These assets are measured at fair value, with unrealized gains and losses recognized in Other Comprehensive Income until the asset is derecognized or determined to be impaired. If the asset is derecognized or determined to be impaired, the cumulative gain or loss previously reported in Accumulated Other Comprehensive Income is included in earnings.

Financial liabilities

(i) Other liabilities – These liabilities are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in earnings through the amortization process or when the liabilities are derecognized.

(ii) Financial liabilities at fair value through profit or loss – These liabilities are held for trading if acquired for the purpose of selling in the near term or are designated to this category upon initial recognition. These liabilities are measured at fair value, with gains or losses recognized in earnings.

The Company's financial assets and financial liabilities are generally classified and measured as follows:

Financial Asset/Liability	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

All other balance sheet accounts are not considered financial instruments.

All financial instruments measured at fair value after initial recognition are categorized into one of three hierarchy levels for measurement and disclosure purposes. Each level reflects the significance of the inputs used in making the fair value measurements.

Level 1: Fair value is determined by reference to quoted prices in active markets.
Level 2: Valuations use inputs based on observable market data, either directly or indirectly, other than the quoted prices.
Level 3: Valuations are based on inputs that are not based on observable market data.

As at March 28, 2015, there are no financial instruments classified into these levels. The Company measures all financial instruments at amortized cost.

Retirement Benefits

The Company provides retirement benefits through a defined contribution retirement plan. Under the defined contribution retirement plan, the Company pays fixed contributions to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The costs of benefits under the defined contribution retirement plan are expensed as contributions are due and are reversed if employees leave before the vesting period.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. Sales transacted in foreign currencies are aggregated monthly and translated using the average exchange rate. Transactions in foreign currencies are translated at rates of exchange at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies which are held at the reporting date are translated at the closing consolidated balance sheet rate. Non-monetary items are measured at historical cost and are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using exchange rates at the date when fair value was determined. The resulting exchange gains or losses are included in earnings.

Accounting Standards Implemented in Fiscal 2015

Adoption of these amendments and standards in fiscal 2015 impacted the Company's results of operations, financial position, and disclosures as follows:

Impairment of Assets ("IAS 36")

In May 2013, the IASB issued amendments to IAS 36 which require disclosures about assets or CGUs for which an impairment loss was recognized or reversed during the period. The amendments are effective for annual periods beginning on or after January 1, 2014 and must be applied prospectively. Additional information is disclosed through the notes to financial statements as required.

Levies ("IFRIC 21")

The IASB has issued IFRIC 21, an interpretation that provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, "Provisions, Contingent Liabilities, and Contingent Assets," and those where the timing and amount of the levy is certain. A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation. This interpretation is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. Implementation of IFRIC 21 had no impact on the Company's results of operations, financial position, or disclosures.

Financial Instruments: Presentation ("IAS 32")

The IASB issued amendments to IAS 32 that clarify its requirements for offsetting financial instruments. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2014. Implementation of these amendments had no impact on the Company's results of operations, financial position, or disclosures.

5. NEW ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, a new standard that specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 supersedes IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. Application of IFRS 15 is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments, and insurance contracts. IFRS 15 must be applied for reporting periods beginning on or after January 1, 2018 and early adoption is permitted. The Company is assessing the impact of adopting this standard on its results of operations, financial position, and disclosures. The Company plans to apply this standard for reporting periods beginning on or after January 1, 2018.

Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, "Financial Instruments: Recognition and Measurement," and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is assessing the impact of the new standard on its results of operations, financial position, and disclosures. The Company plans to apply this standard for reporting periods beginning on or after January 1, 2018.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

(thousands of Canadian dollars)	March 28, 2015	March 29, 2014
Cash	139,658	57,098
Restricted cash	3,138	3,369
Cash equivalents	60,366	97,111
Cash and cash equivalents	203,162	157,578

Restricted cash represents cash pledged as collateral for letter of credit obligations issued to support the Company's purchases of offshore merchandise.

7. INVENTORIES

The cost of inventories recognized as an expense was $507.4 million in fiscal 2015 (2014 – $495.1 million). Inventories consist of the landed cost of goods sold and exclude online shipping costs, inventory shrink and damage reserve, and all vendor support programs. The amount of inventory write-downs as a result of net realizable value lower than cost was $9.4 million in fiscal 2015 (2014 – $8.6 million), and there were no reversals of inventory write-downs that were recognized in fiscal 2015 (2014 – nil). The amount of inventory with net realizable value equal to cost was $1.8 million as at March 28, 2015 (March 29, 2014 – $1.8 million).

8. PROPERTY, PLANT AND EQUIPMENT

(thousands of Canadian dollars)	Furniture, fixtures, and equipment	Computer equipment	Leasehold improvements	Equipment under finance leases	Total
Gross carrying amount					
Balance, March 30, 2013	55,291	14,485	56,769	3,635	130,180
Additions	10,008	3,451	5,241	137	18,837
Transfers/reclassifications	16	(465)	449	–	–
Disposals	(478)	(217)	(208)	(948)	(1,851)
Assets with zero net book value	(2,719)	(6,174)	(7,922)	–	(16,815)
Balance, March 29, 2014	62,118	11,080	54,329	2,824	130,351
Additions	4,461	2,647	3,724	–	10,832
Transfers / reclassifications	–	(340)	340	–	–
Disposals	(373)	(23)	(388)	(2,057)	(2,841)
Assets with zero net book value	(1,599)	(1,622)	(6,735)	–	(9,956)
Balance, March 28, 2015	64,607	11,742	51,270	767	128,386
Accumulated depreciation and impairment					
Balance, March 30, 2013	25,918	8,704	34,490	2,165	71,277
Depreciation	5,422	2,631	7,495	810	16,358
Transfers/reclassifications	–	5	(5)	–	–
Disposals	(216)	(197)	(188)	(948)	(1,549)
Net impairment losses (reversals)	1,007	60	1,537	–	2,604
Assets with zero net book value	(2,719)	(6,174)	(7,922)	–	(16,815)
Balance, March 29, 2014	29,412	5,029	35,407	2,027	71,875
Depreciation	5,815	2,214	6,193	567	14,789
Transfers / reclassifications	–	–	–	–	–
Disposals	(324)	(11)	(358)	(2,057)	(2,750)
Net impairment losses (reversals)	31	28	(517)	–	(458)
Assets with zero net book value	(1,599)	(1,622)	(6,735)	–	(9,956)
Balance, March 28, 2015	33,335	5,638	33,990	537	73,500
Net carrying amount					
March 29, 2014	32,706	6,051	18,922	797	58,476
March 28, 2015	31,272	6,104	17,280	230	54,886

Capital assets are assessed for impairment at the CGU level, except for those capital assets which are considered to be corporate assets. As certain corporate assets cannot be allocated on a reasonable and consistent basis to individual CGUs, they are tested for impairment at the corporate level.

A CGU has been defined as an individual retail store, as each store generates cash inflows that are largely independent from the cash inflows of other stores. CGUs and groups of CGUs are tested for impairment if impairment indicators exist at the reporting date. Recoverable amounts for CGUs being tested are based on value in use, which is calculated from discounted cash flow projections. For stores that are at risk of closure, cash flows are projected over the remaining lease terms, including any renewal options if renewal is likely. Cash flows for stores expected to operate beyond the current lease term and renewal options are projected using a terminal value calculation. Corporate asset testing calculates discounted cash flow projections over a five-year period plus a terminal value.

The key assumptions from the value in use calculations are those regarding growth rates and discount rates. The cash flow projections are based on both past and forecasted performance and are extrapolated using long-term growth rates which are calculated separately for each CGU being tested. Average long-term growth rates for impairment testing ranged from 0.0% to 3.0% (2014 – 0.0% to 3.0%). Management's estimate of the discount rate reflects the current market assessment of the time value of money and the risks specific to the Company. The pre-tax discount rate used to calculate value in use for store assets was 19.0% (2014 – 20.3%).

Impairment indicators were identified during fiscal 2015 for certain retail stores. Accordingly, the Company performed impairment testing, which resulted in the recognition and reversal of impairment losses for Indigo's retail stores. Impairment losses recognized were $2.0 million in fiscal 2015 (2014 – $2.6 million) and are spread across a number of CGUs. The impairment losses relate to CGUs whose carrying amounts exceed their recoverable amounts. In all cases, impairment losses arose due to stores performing at lower-than-expected profitability. There were $2.4 million of capital asset impairment reversals recognized in fiscal 2015 (2014 – nil). Impairment reversals arose due to improved store performance and its impact on the likelihood of lease term renewals. The recoverable amount of the CGUs impacted by impairments or reversals was $10.0 million (2014 – $5.4 million) and was determined using each CGU's value in use.

9. INTANGIBLE ASSETS

(thousands of Canadian dollars)	Computer application software	Internal development costs	Total
Gross carrying amount			
Balance, March 30, 2013	25,236	12,477	37,713
Additions	6,609	3,937	10,546
Transfers / reclassifications	(203)	203	–
Disposals	–	–	–
Assets with zero net book value	(4,361)	(3,471)	(7,832)
Balance, March 29, 2014	27,281	13,146	40,427
Additions	2,932	3,982	6,914
Transfers / reclassifications	–	–	–
Disposals	(1)	–	(1)
Assets with zero net book value	(4,461)	(2,447)	(6,908)
Balance, March 28, 2015	**25,751**	**14,681**	**40,432**
Accumulated amortization and impairment			
Balance, March 30, 2013	10,083	5,466	15,549
Amortization	7,071	4,052	11,123
Disposals	–	–	–
Assets with zero net book value	(4,361)	(3,471)	(7,832)
Balance, March 29, 2014	12,793	6,047	18,840
Amortization	7,608	4,305	11,913
Disposals	–	–	–
Assets with zero net book value	(4,461)	(2,447)	(6,908)
Balance, March 28, 2015	**15,940**	**7,905**	**23,845**
Net carrying amount			
March 29, 2014	14,488	7,099	21,587
March 28, 2015	**9,811**	**6,776**	**16,587**

Impairment testing for intangible assets is performed using the same methodology, CGUs, and groups of CGUs as those used for property, plant and equipment. The key assumptions from the value in use calculations for intangible asset impairment testing are also identical to the key assumptions used for property, plant and equipment testing. Impairment and reversal indicators were identified during fiscal 2015 for Indigo's retail stores. Accordingly, the Company performed impairment and reversal testing but there were no intangible asset impairment losses or reversals in fiscal 2015 (2014 – no impairment losses or reversals).

10. INCOME TAXES

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. As at March 28, 2015, the Company has recorded $56.7 million in gross value of deferred tax assets with a valuation allowance of $12.4 million based on management's best estimate of future taxable income that the Company expects to achieve from reviewing its latest forecast (2014 – $56.2 million gross value of deferred tax assets and valuation allowance of $11.6 million). If the valuation allowance decreases as the result of subsequent events, the previously recognized valuation allowance will be reversed.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

(thousands of Canadian dollars)	March 28, 2015	March 29, 2014
Deferred tax assets		
Reserves and allowances	**2,011**	2,032
Tax loss carryforwards	**23,317**	23,562
Corporate minimum tax	**1,347**	1,354
Book amortization in excess of cumulative eligible capital deduction	**231**	249
Book amortization in excess of capital cost allowance	**29,767**	29,002
Deferred tax assets before valuation allowance	**56,673**	56,199
Valuation allowance	**(12,432)**	(11,595)
Net deferred tax assets	**44,241**	44,604

Significant components of income tax expense (recovery) are as follows:

(thousands of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Current income tax recovery		
Adjustment for prior periods	(51)	(37)
	(51)	(37)
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	(489)	(7,164)
Increase in valuation allowance	837	11,595
Adjustment to deferred tax assets resulting from increase in substantively enacted tax rate	–	(261)
Change in tax rates due to change in expected pattern of reversal	16	(44)
Other, net	(1)	1
	363	4,127
Total income tax expense	312	4,090

The reconciliation of income taxes computed at statutory income tax rates to the effective income tax rates is as follows:

(thousands of Canadian dollars)	52-week period ended March 28, 2015	%	52-week period ended March 29, 2014	%
Loss before income taxes	(3,223)		(26,909)	
Tax at combined federal and provincial tax rates	(852)	26.4%	(7,110)	26.4%
Tax effect of expenses not deductible for income tax purposes	447	(13.9%)	246	(0.9%)
Increase in valuation allowance	837	(26.0%)	11,595	(43.1%)
Adjustment to deferred tax assets resulting from increase in substantively enacted tax rate	–	–	(261)	1.0%
Change in tax rates due to change in expected pattern of reversal	16	(0.5%)	(44)	0.2%
Other, net	(136)	4.2%	(336)	1.2%
	312	(9.7%)	4,090	(15.2%)

As at March 28, 2015, the Company has combined non-capital loss carryforwards of approximately $88.2 million for income tax purposes that expire in 2031 if not utilized.

11. PROVISIONS

Provisions consist primarily of amounts recorded in respect of decommissioning liabilities, onerous lease arrangements, and legal claims. Activity related to the Company's provisions is as follows:

(thousands of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Balance, beginning of period	1,092	2,246
Charged	183	230
Utilized / released	(252)	(1,384)
Balance, end of period	1,023	1,092

The Company is subject to payment of decommissioning liabilities upon exiting certain leases. The amount of these payments may fluctuate based on negotiations with the landlord. Onerous lease provisions unwind over the term of the related lease and were discounted using a pre-tax discount rate of 19.0%. Legal claim provisions will fluctuate depending on the outcomes when claims are settled.

12. COMMITMENTS AND CONTINGENCIES

(a) Commitments

As at March 28, 2015, the Company had the following commitments:

(i) Operating lease obligations

The Company had operating lease commitments in respect of its stores, support office premises and certain equipment. The leases expire at various dates between calendar 2015 and 2026, and may be subject to renewal options. Annual store rent consists of a base amount plus, in some cases, additional payments based on store sales. The Company also generates sublease income in respect of some of its premises leases. Over the next five fiscal years, the Company expects to generate $9.6 million from these subleases.

(ii) Finance lease obligations

The Company entered into finance lease agreements for certain equipment. The obligations under these finance leases is $0.2 million as at March 28, 2015 (March 29, 2014 – $0.8 million), of which $0.2 million (March 29, 2014 – $0.6 million) is included in the current portion of long-term debt. The remainder of the finance lease obligations have been included in the non-current portion of long-term debt.

The Company's minimum contractual obligations due over the next five fiscal years and thereafter are summarized below. Operating lease expenditures are presented net of their related subleases:

(millions of Canadian dollars)	Operating leases	Finance leases	Total
2016	54.9	0.2	55.1
2017	45.5	–	45.5
2018	36.9	–	36.9
2019	25.1	–	25.1
2020	11.0	–	11.0
Thereafter	19.2	–	19.2
Total obligations	192.6	0.2	192.8

(b) Legal Claims

In the normal course of business, the Company becomes involved in various claims and litigation. While the final outcome of such claims and litigation pending as at March 28, 2015 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company's financial position or financial performance, except for those amounts which have been recorded as provisions on the Company's consolidated balance sheets.

13. SHARE CAPITAL

Share capital consists of the following:

Authorized

Unlimited Class A preference shares with no par value, voting, convertible into common shares on a one-for-one basis at the option of the shareholder

Unlimited common shares, voting

	52-week period ended March 28, 2015		52-week period ended March 29, 2014	
	Number of shares	Amount C$ (thousands)	Number of shares	Amount C$ (thousands)
Balance, beginning of period	25,298,239	203,812	25,297,389	203,805
Issued during the period				
Options exercised	197,050	2,059	850	7
Balance, end of period	25,495,289	205,871	25,298,239	203,812

During fiscal 2015, the Company did not issue any common shares (2014 – nil) in exchange for Directors' deferred share units ("DSUs").

During fiscal 2015, the Company did not distribute any dividends (2014 – $0.33 per share).

14. SHARE-BASED COMPENSATION

The Company has established an employee stock option plan (the "Plan") for key employees. The number of common shares reserved for issuance under the Plan is 3,324,293. Most options granted between May 21, 2002 and March 31, 2012 have a ten-year term and have one fifth of the options granted exercisable one year after the date of issue with the remainder exercisable in equal instalments on the anniversary date over the next four years. Subsequently, most options granted after April 1, 2012 have a five-year term and have one third of the options granted exercisable one year after the date of issue with the remainder exercisable in equal instalments on the anniversary date over the next two years. A small number of options have special vesting schedules that were approved by the Board. Each option is exercisable into one common share of the Company at the price specified in the terms of the option agreement.

During the first quarter of fiscal 2014, the Company offered a one-time cash repurchase to holders of stock options above a specified value. The repurchase was approved by the Board of Directors and by the Company's shareholders; repurchased options were subsequently cancelled by the Company. As part of this transaction, the Company immediately recorded the remaining unamortized expense of $0.5 million for repurchased options. The Company repurchased and cancelled 870,500 options and made a cash payment to option holders of $1.0 million. There was no such transaction in fiscal 2015.

The Company uses the fair value method of accounting for stock options, which estimates the fair value of the stock options granted on the date of grant, net of estimated forfeitures, and expenses this value over the vesting period. During fiscal 2015, the pre-forfeiture fair value of options granted was $1.7 million (2014 – $2.8 million). The weighted average fair value of options issued in fiscal 2015 was $2.56 per option (2014 – $1.97 per option).

The fair value of the employee stock options is estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions during the periods presented:

	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Black-Scholes option pricing assumptions		
Risk-free interest rate	1.1%	1.3%
Expected volatility	33.5%	35.4%
Expected time until exercise	3.0 years	3.0 years
Expected dividend yield	–	3.4%
Other assumptions		
Forfeiture rate	27.2%	26.7%

A summary of the status of the Plan and changes during both periods is presented below:

	52-week period ended March 28, 2015		52-week period ended March 29, 2014	
	Number #	Weighted average exercise price C$	Number #	Weighted average exercise price C$
Outstanding options, beginning of period	1,676,150	9.75	1,627,000	12.64
Granted	667,500	10.66	1,401,000	10.25
Forfeited / repurchased	(585,450)	10.58	(1,347,000)	13.77
Expired	–	–	(4,000)	4.45
Exercised	(197,050)	8.92	(850)	8.00
Outstanding options, end of period	1,561,150	9.94	1,676,150	9.75
Options exercisable, end of period	423,090	9.31	245,900	8.88

Options Outstanding and Exercisable

	March 28, 2015				
	Outstanding			Exercisable	
Range of exercise prices C$	Number #	Weighted average exercise price C$	Weighted average remaining contractual life (in years)	Number #	Weighted average exercise price C$
7.20 – 8.18	326,150	8.07	3.2	152,900	8.04
8.19 – 10.41	241,500	9.17	3.2	97,200	8.66
10.42 – 10.58	380,000	10.46	4.2	–	–
10.59 – 10.77	445,000	10.70	3.3	167,800	10.70
10.78 – 15.21	168,500	11.45	4.7	5,190	14.22
7.20 – 15.21	1,561,150	9.94	3.7	423,090	9.31

Directors' Compensation

The Company has established a Directors' Deferred Share Unit Plan ("DSU Plan"). Under the DSU Plan, Directors receive their annual retainer fees and other Board-related compensation in the form of deferred share units ("DSUs"). The number of shares reserved for issuance under this plan is 500,000. The Company issued 30,158 DSUs with a value of $0.3 million during fiscal 2015 (2014 – 43,757 DSUs with a value of $0.4 million). The number of DSUs to be issued to each Director is based on a set fee schedule. The grant date fair value of the outstanding DSUs as at March 28, 2015 was $3.7 million (March 29, 2014 – $3.3 million) and was recorded in contributed surplus. The fair value of DSUs is equal to the traded price of the Company's common shares on the grant date.

15. SUPPLEMENTARY OPERATING INFORMATION

Supplemental product line revenue information:

	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Print[1]	583,492	587,618
General merchandise[2]	270,675	230,063
eReading[3]	18,148	24,633
Other[4]	23,061	25,353
Total	895,376	867,668

1 Includes books, calendars, magazines, newspapers, and shipping revenue.
2 Includes lifestyle, paper, toys, music, DVDs, electronics, and shipping revenue.
3 Includes eReaders, eReader accessories, Kobo revenue share, and shipping revenue.
4 Includes cafés, irewards, gift card breakage, Plum breakage, and corporate sales.

Supplemental operating and administrative expenses information:

(thousands of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Wages, salaries, and bonuses	166,786	157,904
Short-term benefits expense	18,109	18,321
Termination benefits expense	3,146	4,945
Retirement benefits expense	1,335	1,286
Stock-based compensation	910	1,242
Total employee benefits expense	190,286	183,698

Termination benefits arise when the Company terminates certain employment agreements.

Minimum lease payments recognized as an expense during fiscal 2015 were $62.0 million (2014 – $63.5 million). Contingent rents recognized as an expense during fiscal 2015 were $1.2 million (2014 – $1.0 million).

16. EARNINGS PER SHARE

Earnings per share is calculated based on the weighted average number of common shares outstanding during the period. In calculating diluted earnings per share amounts under the treasury stock method, the numerator remains unchanged from the basic earnings per share calculations as the assumed exercise of the Company's stock options do not result in an adjustment to net earnings. The reconciliation of the denominator in calculating diluted earnings per share amounts for the periods presented is as follows:

(thousands of shares)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Weighted average number of common shares outstanding, basic	25,723	25,601
Effect of dilutive securities		
Stock options	105	47
Weighted average number of common shares outstanding, diluted	25,828	25,648

As at March 28, 2015, 1,068,500 (March 29, 2014 – 1,246,000) options were excluded from the computation of diluted net earnings per common share in the current period as they were anti-dilutive.

17. STATEMENTS OF CASH FLOWS

Supplemental cash flow information:

(thousands of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Net change in non-cash working capital balances:		
Accounts receivable	686	1,544
Inventories	10,584	(2,446)
Income taxes recoverable	(51)	(37)
Prepaid expenses	(293)	(1,031)
Accounts payable and accrued liabilities (current and long-term)	25,162	(14,857)
Unredeemed gift card liability	1,384	(342)
Provisions	(69)	(1,154)
Deferred revenue	438	(873)
	37,841	(19,196)
Assets acquired under finance leases	–	137

18. CAPITAL MANAGEMENT

The Company's main objectives when managing capital are to safeguard its ability to continue as a going concern while maintaining adequate financial flexibility to invest in new business opportunities that will provide attractive returns to shareholders. The primary activities engaged by the Company to generate attractive returns include construction and related leasehold improvements of stores, the development of new business concepts, and investment in information technology and distribution capacity to support the online and retail networks. The Company's main sources of capital are its current cash position, cash flows generated from operations, and long-term debt. Cash flow is used to fund working capital needs, capital expenditures, and debt service requirements. There were no changes to these objectives during fiscal 2015. The Company primarily

manages its capital by monitoring its available cash balance to ensure that sufficient funds are available for long-term debt and interest payments over the next year.

The following table summarizes selected capital structure information for the Company:

(thousands of Canadian dollars)	March 28, 2015	March 29, 2014
Current portion of long-term debt	172	584
Long-term debt	56	227
Total debt	228	811
Total equity	311,149	311,674
Total capital under management	311,377	312,485

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including risks related to foreign exchange, interest rate, credit, and liquidity.

Foreign Exchange Risk

The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. Decreases in the value of the Canadian dollar relative to the U.S. dollar could negatively impact net earnings since the purchase price of some of the Company's products are negotiated with vendors in U.S. dollars, while the retail price to customers is set in Canadian dollars. The Company did not use any forward contracts to manage foreign exchange risk in fiscal 2015 (2014 – no forward contracts).

As the Company expands its product selection to include a greater number of non-book items, foreign exchange risk has increased due to more purchases being denominated in U.S. dollars. To assess the risk of fluctuating foreign exchange rates, the Company calculated the impact on its fiscal 2015 U.S. dollar purchases. A 10% appreciation or depreciation in the U.S. and Canadian dollar exchange rates during fiscal 2015 would have had an impact of $3.5 million (2014 – $3.9 million) on net earnings (loss) and comprehensive earnings (loss).

In fiscal 2015, the effect of foreign currency translation on net earnings (loss) and comprehensive earnings (loss) was a gain of $0.8 million (2014 – loss of $0.4 million).

Interest Rate Risk

The Company's interest rate risk is largely limited to its long-term debt, for which interest rates are fixed at the time a contract is finalized. The Company's interest income is also sensitive to fluctuations in Canadian interest rates, which affect the interest earned on the Company's cash and cash equivalents. The Company has minimal interest rate risk and does not use any interest rate swaps to manage its risk.

Credit Risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company's maximum exposure to credit risk at the reporting date is equal to the carrying value of accounts receivable. Accounts receivable primarily consists of receivables from retail customers who pay by credit card, recoveries of credits from suppliers for returned or damaged products, and receivables from other companies for sales of products, gift cards, and other services. Credit card payments have minimal credit risk and the limited number of corporate receivables is closely monitored.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its obligations relating to its financial liabilities. The Company manages liquidity risk by preparing and monitoring cash flow budgets and forecasts to ensure that the Company has sufficient funds to meet its financial obligations and fund new business opportunities or other unanticipated requirements as they arise.

The contractual maturities of the Company's current and long-term liabilities as at March 28, 2015 are as follows:

(thousands of Canadian dollars)	Payments due in the next 90 days	Payments due between 90 days and less than a year	Payments due after 1 year	Total
Accounts payable and accrued liabilities	132,314	28,331	–	160,645
Unredeemed gift card liability	48,211	–	–	48,211
Provisions	135	778	–	913
Current portion of long-term debt	–	172	–	172
Long-term accrued liabilities	–	–	3,841	3,841
Long-term provisions	–	–	110	110
Long-term debt	–	–	56	56
Total	180,660	29,281	4,007	213,948

20. EQUITY INVESTMENT

The Company holds a 50% equity ownership in its associate, Calendar Club, to sell calendars, games, and gifts through seasonal kiosks and year-round stores in Canada. The Company uses the equity method of accounting to record Calendar Club results. In fiscal 2015, the Company received $0.5 million (2014 – $1.2 million) of distributions from Calendar Club.

The following tables represent financial information for Calendar Club along with the Company's share therein:

	Total		Company's share	
(thousands of Canadian dollars)	**March 28, 2015**	March 29, 2014	**March 28, 2015**	March 29, 2014
Cash and cash equivalents	**1,215**	1,185	**608**	593
Total current assets	**2,770**	2,565	**1,385**	1,283
Total long-term assets	**547**	658	**274**	329
Total current liabilities	**1,865**	2,027	**933**	1,014

	Total		Company's share	
(thousands of Canadian dollars)	**52-week period ended March 28, 2015**	52-week period ended March 29, 2014	**52-week period ended March 28, 2015**	52-week period ended March 29, 2014
Revenue	**32,434**	31,003	**16,217**	15,502
Expenses	**(30,902)**	(29,114)	**(15,451)**	(14,557)
Depreciation	**(221)**	(311)	**(111)**	(156)
Net earnings	**1,311**	1,578	**655**	789

Changes in the carrying amount of the investment were as follows:

(thousands of Canadian dollars)	Carrying value
Balance, March 30, 2013	968
Equity income from Calendar Club	789
Distributions from Calendar Club	(1,159)
Balance, March 29, 2014	598
Equity income from Calendar Club	655
Distributions from Calendar Club	(527)
Balance, March 28, 2015	**726**

21. RELATED PARTY TRANSACTIONS

The Company's related parties include its key management personnel, shareholders, defined contribution retirement plan, equity investment in Calendar Club, and subsidiary. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with Key Management Personnel

Key management of the Company includes members of the Board of Directors as well as members of the Executive Committee. Key management personnel remuneration includes the following expenses:

(thousands of Canadian dollars)	52-week period ended March 28, 2015	52-week period ended March 29, 2014
Wages, salaries, bonus, and consulting	5,902	4,654
Short-term benefits expense	246	242
Termination benefits expense	–	457
Retirement benefits expense	43	60
Stock-based compensation	427	789
Directors' compensation	341	425
Total remuneration	**6,959**	**6,627**

Transactions with Shareholders

During fiscal 2015, Indigo purchased goods and services from companies in which Mr. Gerald W. Schwartz, who is the controlling shareholder of Indigo, holds a controlling or significant interest. In fiscal 2015, Indigo paid $3.2 million for these goods and services (2014 – $5.3 million). As at March 28, 2015, Indigo had $0.2 million payable to these companies under standard payment terms and $2.8 million of restricted cash pledged as collateral for letter of credit obligations issued to support the Company's purchases of merchandise from these companies (March 29, 2014 – less than $0.1 million payable and $2.8 million restricted cash). All transactions were in the normal course of business for both Indigo and the related companies.

Transactions with Defined Contribution Retirement Plan

The Company's transactions with the defined contribution retirement plan include contributions paid to the retirement plan as disclosed in note 15. The Company has not entered into other transactions with the retirement plan.

Transactions with Associate

The Company's associate, Calendar Club, is a seasonal operation which is dependent on the December holiday sales season to generate revenue. During the year, the Company loans cash to Calendar Club for working capital requirements and Calendar Club repays the loans once profits are generated in the third quarter. The net amount of these transactions for fiscal 2015 was nil (2014 – nil), as Calendar Club has repaid all loans as at March 28, 2015.

Corporate Governance Policies

A presentation of Indigo's corporate governance policies is included in the Management Information Circular which is mailed to all shareholders. If you would like to receive a copy of this information, please contact Investor Relations at Indigo.

Executive Management and Board of Directors

EXECUTIVE MANAGEMENT

Heather Reisman
Chair and Chief Executive Officer

Laura Carr
Executive Vice President and Chief Financial Officer

Kirsten Chapman
Chief Marketing Officer and
Executive Vice President, E-Commerce

Laura Dunne
Senior Vice President, Human Resources and
Organizational Development

Kathleen Flynn
General Counsel and Corporate Secretary

Tod Morehead
Executive Vice President and
Group General Merchandise Manager

Krishna Nikhil
Executive Vice President, Print and
Chief Strategy Officer

Sumit Oberai
Chief Technology Officer and
Executive Vice President, Loyalty

Michael Tan
Executive Vice President, Supply Chain,
Logistics and Global Sourcing

BOARD OF DIRECTORS

Frank Clegg
Volunteer Chairman and Chief Executive Officer
C4ST (Canadians for Safe Technology)

Jonathan Deitcher
Investment Advisor
RBC Dominion Securities Inc.

Mitchell Goldhar
President and Chief Executive Officer
SmartCentres

James Hall
Vice President
Callidus Capital Corporation
and
President and Chief Executive Officer
James Hall Advisors Inc.

Michael Kirby
Corporate Director
Chair of Partners for Mental Health

Anne Marie O'Donovan
President
O'Donovan Advisory Services Ltd.

Heather Reisman
Chair and Chief Executive Officer
Indigo Books & Music Inc.

Gerald Schwartz
Chairman and Chief Executive Officer
Onex Corporation

Joel Silver
Managing Partner
Trilogy Growth

Five Year Summary of Financial Information

For the years ended (millions of Canadian dollars, except share and per share data)	March 28, 2015	March 29, 2014	March 30, 2013	March 31, 2012	April 2, 2011
SELECTED STATEMENTS OF EARNINGS INFORMATION					
Revenue					
Superstores	625.2	607.2	615.2	644.6	655.5
Small format stores	127.8	127.4	137.6	145.2	149.4
Online	114.0	102.0	91.9	91.3	90.6
Other	28.4	31.1	34.1	39.1	46.0
Total revenue	895.4	867.7	878.8	920.2	941.5
Adjusted EBITDA[1]	20.5	0.1	28.5	25.0	54.8
Earnings (loss) before income taxes	(3.2)	(26.9)	4.2	(29.3)	25.8
Net earnings (loss) and comprehensive earnings (loss)	(3.5)	(31.0)	4.3	66.2	(19.4)
Dividends per share	–	$ 0.33	$ 0.44	$ 0.44	$ 0.44
Net earnings (loss) per common share	$(0.14)	$(1.21)	$ 0.17	$ 3.68	$(0.23)
SELECTED BALANCE SHEET INFORMATION					
Working capital	198.7	189.7	224.3	223.7	101.1
Total assets	538.4	512.6	569.1	591.8	510.3
Long-term debt (including current portion)	0.2	0.8	1.5	2.2	3.3
Total equity	311.1	311.7	350.3	355.6	267.4
Weighted average number of shares outstanding	25,722,640	25,601,260	25,529,035	25,201,127	24,874,199
Common shares outstanding at end of period	25,495,289	25,298,239	25,297,389	25,238,414	25,140,540
STORE OPERATING STATISTICS					
Number of stores at end of period					
Superstores	91	95	97	97	97
Small format stores	127	131	134	143	150
Selling square footage at end of period (in thousands)					
Superstores	2,056	2,200	2,235	2,235	2,235
Small format stores	361	370	379	400	413
Comparable store sales					
Superstores	6.8%	(0.9%)	(4.6%)	(1.9%)	(0.3%)
Small format stores	0.8%	(5.0%)	(2.4%)	(0.8%)	(3.2%)
Sales per selling square foot					
Superstores	304	281	280	294	299
Small format stores	354	344	362	363	362

1 Earnings before interest, taxes, depreciation, amortization, impairment, and equity investment. Also see “Non-IFRS Financial Measures”.

Investor Information

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Canada M5K 1J7

ANNUAL MEETING

The Annual Meeting represents an opportunity for shareholders to review and participate in the management of the Company as well as meet with its directors and officers.

Indigo's Annual Meeting will be held on
June 29, 2015 at 10:00 a.m. at
Torys LLP
79 Wellington Street West, 33rd Floor
Toronto, Ontario
Canada M5K 1N2

Shareholders are encouraged to attend and guests are welcome.

Une traduction française de ce document est disponible sur demande.

Indigo's Commitment to Communities Across Canada

Since 2004, Indigo has enriched the lives of thousands of Canadian children by investing over $19.5 million in more than 2,000 schools through the Indigo Love of Reading Foundation. In fiscal 2015, the Foundation's Literacy Fund once again committed $1.5 million to 20 schools, raising its investment to $15.0 million in 170 elementary schools across Canada. Additionally, the Foundation's grassroots Adopt a School program invested over $650,000 into more than 190 schools this year, bringing Adopt a School's fundraising support to $2.7 million for over 1,600 schools in just six years.

In celebration of its 10th anniversary, Love of Reading also invested an additional $300,000 in funds and new books through its Adopt a School program and its Top 10 Titles campaign. This investment impacted more than 215 schools during fiscal 2015.

In addition to the Foundation's work, Indigo hosts FUNdraiser programs which support schools and other community groups in raising money for educational and extracurricular activities. Through both in-store events and online campaigns in fiscal 2015, Indigo has helped more than 438 not-for-profit organizations raise over $139,000.

For more information on Indigo's commitment to community visit *chapters.indigo.ca/fundraising*.

Our Beliefs

- We exist to add joy to customers' lives – when they interact with us and, when they interact with our products.
- Each and every person in the company should understand how his or her work contributes to the creation of joyful customer moments.
- We owe to each other, irrespective of role or position, the same level of respect and caring as we would show to a valued friend.
- We have a responsibility to create an environment where each individual is inspired to perform to the best of his or her ability.
- Passion, creativity and innovation are the keys to sustainable growth and profitability. Each individual working at Indigo should reflect this in his or her work. Our role, as a company, is to encourage and reward the demonstration of these attributes.
- We have a responsibility to give back to the communities in which we operate.

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