indigo

"THE FUTURE BELONGS TO
THOSE WHO BELIEVE IN THE
BEAUTY OF THEIR DREAMS."

– ELEANOR ROOSEVELT

ANNUAL REPORT
FOR THE 52-WEEK PERIOD
ENDED MARCH 31, 2018

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*, *Indigospirit*, *The Book Company*, and *indigo.ca*.
The Company employs approximately 7,000 people across the country.

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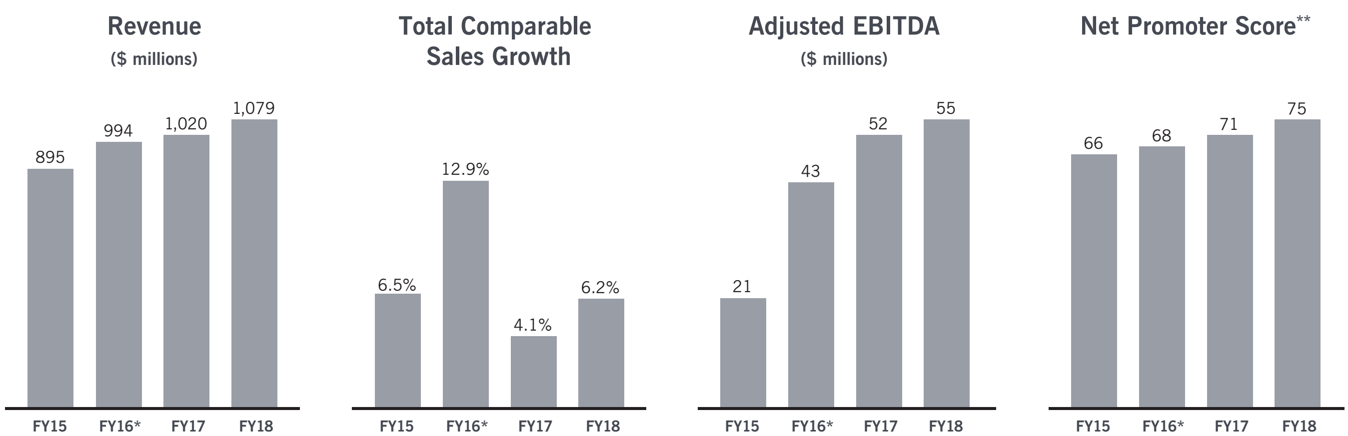
It is my pleasure to once again be writing to you to share results on our business.

2018 was a good year for Indigo. In the face of an environment all would agree is very demanding for the retail industry, your Company posted respectable results while continuing to invest for growth.

˜ighlights of the year are noted below



* 2016 includes a 53rd week
** Net Promoter Score as defined by Opinion Lab

As I write this letter, we are embarking on the most ambitious capital investment plan in our history.

A big part of this investment will go into our network of large format stores. In addition to being well used O and well loved Othe overall changing dynamics in our industry propel us to re-imagine our customer experience.

Over the last two years, we refined and tested a new model in ten Indigo stores. The response from customers has been overwhelmingly positive, confirming that the investment we have tagged for this program will provide a very meaningful return.

In parallel, we will continue to invest in both our supply chain capability and our digital assets toward our aim of providing customers the ability to shop and interact with us seamlessly and :oyfully both in stores and online. Among the things on our digital road map that will be implemented this year are many initiatives that mod-erniJe and advance the checkout and fulfillment experiences for our customers.

I might mention here, that as part of our continuing effort to improve service to our customers both in store and online, this past year we expanded our supply chain with a ma:or new facility in Calgary.

The changing nature of the retail industry is much in the news. As customers, our service and experience expec - tations continue to rise and the choices offered to us are endless. The pressure this places on any brand is significant. .ha t animates Indigo, and continues to connect us with our customers, is our position as a place for people to connect, to get inspired, to be indulged. It is this position that is our north star.

Indigo is fortunate to have the most passionate and engaged group of people coming to work every day. Our business is demanding. It is the energy, creativity and spirit of each and every person on our team that enables us to continue to grow. Thank you all for all you do and for the privilege of working with you.

Finally, I want to :ust note, as I do every year, that the Indigo Love of Reading Foundation continues to be a ma:or part of who we are. This was the Foundation's most ambitious and most successful year to date. This year, the Foundation impacted over 00 high-needs Canadian elementary schools, helping to inspire over 200,000 children to fall in love with reading. Since inception, the Foundation has committed over $28 million in funding to 3,000 high-needs elementary school libraries, inspiring over 900,000 Canadian children.

.hile the day to day is important, we recogniJe that we all have a responsibility to the longer term future of our country. Childhood literacy is a fundamental factor. Reaching those schools and those children who lack the resources to richly engage in reading, is our mission and our commitment.

Thank you to our shareholders. ,ntil next year.

Heather Reisman

Heather Reisman
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Management's Responsibility for Financial Reporting

Management of Indigo ˅ ooks   Music Inc. (the "Company") 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 the Company have been prepared in accordance with International Financial Reporting Standards, which involve management's best :udgments and estimates based on available information.

The Company'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 recogniJing that the Company is responsible for both the integrity and ob:ectivity 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. The ˅oa rd of ˙ir ectors, along with the Company's management team, have reviewed and approved the consolidated financial statements and information contained within this report.

The ˅oard of ˙ir ectors monitors management's internal control and financial reporting responsibilities through an Audit Committee composed entirely of independent directors. This Committee meets regularly with senior management and the Company's internal and independent external auditors to discuss internal control, financial reporting, and audit matters. The Audit Committee also meets with the external auditors without the presence of management to discuss audit results.

″r nst   /oung LL', whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

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Management's ˙iscussion and Analysis

The following Management's ˙iscussion and Analysis ("M˙ A") is prepared as at May 29, 2018 and is based primarily on the consolidated financial statements of Indigo ˅ooks Music Inc. (the "Company" or "Indigo") for the 52-week periods ended March 31, 2018 and April 1, 2017. 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 ˅oard ("IAS˅") using the accounting policies described therein.

This M˙ A should be read in con:unction 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 S″˙ AR at *www seda' %#*.

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Indigo is Canada's largest book, gift, and specialty toy retailer, operating stores in all ten provinces and one territory and offering online sales through the *indi°% a* website and the Company's mobile applications. As at March 31, 2018, the Company operated 8 superstores under the banners *ha&te's* and *ndi°%* and 123 small format stores under the banners *%"es*, *ndi°%s&it*, and *he B%%!%#&an.* .

As at March 31, 2018, the Company employed approximately 7,000 people (on a full-time, part-time, and casual basis) and generated annual revenue of $1,079.4 million. The Company also has a 50 interest in Calendar Club of Canada Limited ' artnership ("Calendar Club"), which operates seasonal kiosks and year-round stores in shopping malls across Canada.

The Company 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, its suppliers, and its employees.

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It has been over 20 years since the Company launched its first superstore with a commitment to enriching Canadians' lives through books and complementary products. Much has changed since then, and continues to change, in both the book industry and the larger retail landscape. Indigo has been proactive in transforming its business in both its retail stores and digital offerings. The *indi°% a* website has expanded dramatically, offering customers an increased number of titles at a lower cost than a traditional physical bookstore along with a broad range of general merchandise, much of which is uniAue to Indigo. In addition, digital channels have provided customers with instant accessibility, wide selection, and lower prices.

The distinction between physical retail and digital retail is increasingly blurred as customers expect to have a seamless experience with the Indigo brand regardless of channel. RecogniJing this, the Company is continuing to focus on improving the omni-channel customer experience with initiatives that better integrate physical and digital retail. The Company's priorities are to drive a customer inspired retail and digital transformation, build a truly superior gifting experience, and become the best rewarding retail employer in Canada.

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

Drive a Customer Inspired Retail Transformation

The Company's physical stores are being transformed as part of the roll out of Indigo's new cultural department store concept and the Company's focus on being a truly superior gifting destination. The new store concept reflects Indigo's transformation from a bookstore to a cultural department store for booklovers it is a digital and physical place inspired by and filled with books, ideas, and beautifully designed products.

Over the past three years, the Company has rebranded and renovated several stores to improve the customer experience and product offerings across key gifting categories. The Company accelerated its transformation by renovating five superstores and four small format stores in fiscal 2018 and will continue these efforts in fiscal 2019. In an effort to better integrate the physical and digital platforms, the Company successfully tested a mobile checkout solution in fiscal 2018 and will continue to roll this out in fiscal 2019. The Company also continues to explore opportunities both within Canada and globally, and in fiscal 2018 signed its first lease for a retail store in the ,nited States, with the location in Short ˜ills, New !ersey scheduled for opening in fiscal 2019.

Drive a Customer Inspired Enhanced Digital Platform

In addition to reshaping Indigo's physical store offerings, the Company continues to invest heavily in its digital platforms. The Company has a dedicated team solely focused on the agile delivery of digital products and services to further enhance the customer experience. The Company continues its strong social media presence across Facebook, Instagram, 'inter est, and Twitter, with half a million followers on Facebook and over 250,000 on Instagram. The Company launched a dedicated Indigo"ids N Facebook page in fiscal 201 and a dedicated Indigoˇab yN Instagram in fiscal 2017. In fiscal 2018, the Company focused on several enhancements to improve and simplify the customer experience on all its digital platforms. Notably, *indi°%a* is now responsive, with the site's pages efficiently rendering on a variety of devices and window or screen siJes, providing a seamless experience on all platforms.

OptimiJing the Company's plum rewards loyalty program has also been a key area of focus in the past three years. The Company's two loyalty programs, irewards and plum rewards, offer member discounts, and plum rewards also offers redeemable points on almost all product purchases in-store and online. 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. Going forward, the Company will continue to increase its capabilities to utiliJe this data to personaliJe each touchpoint with customers across all channels and provide a rich omni-channel shopping experience.

Build a Truly Superior Gifting Experience

Indigo is committed to becoming the ultimate year-round gifting destination in Canada for gifts that touch the heart and soul. The gifting experience for the ma:or seasonal holidays and for everyday gifting occasions are supported through the Company's expanded assortment of books, lifestyle and baby offerings, and toys. Indigo's focus on making gifting :oyful and easy for customers includes a wide selection of gift wrap and greeting cards, as well as tools to help customers make the best gifting decisions. In fiscal 2018, "The Gift Shop", an expanded online gifting experience, was launched on Indigo's digital channels, creating an interactive and curated shopping experience with functionalities to view gift ideas in multiple ways, including by gifting occasion or by recipient.

The enhanced gifting assortment is supported by the Company's design and global sourcing team in New /ork that leads the design and development of Indigo's proprietary merchandise. These private-label products are created by the Company's in-house creative team and are manufactured by third parties exclusively for Indigo. The Company is committed to adapting and improving its proprietary product development capability, as well as expanding its line of gift and lifestyle merchandise which includes home, paper merchandise, and fashion accessories. This aspect of the business is part of the Company's focus on providing customers with meaningful and giftable merchandise only available at Indigo.

Become the Best Rewarding Retail Employer in Canada

.hile a key focus of the Company's business is evolving to meet the emerging needs of customers, Indigo is also focused on becoming the best rewarding retail employer in Canada by driving a high performance, growth culture and aspiring for operational excellence to support the Company's continued evolution and new business strategies.

The Company's ambition is to be best rewarding, not only in pay, but in a holistic view of the employment relationship that includes a sense of purpose, meaningful relationships, benefits and flexible work opportunities. This Company-wide initiative focuses on driving engagement, high performance and operational excellence while removing inefficiency from the Company's work processes. There are several initiatives underway across the Company including reinforcing Indigo's uniAue culture through values-based leadership. As well, the Company is focusing on the development of high-performing teams where individuals are encouraged to chart their own career paths and apply their strengths to meaningful work, allowing them to bring their best selves to work.

In fiscal 2018, Indigo again reached record-high employee engagement and customer satisfaction scores with scores of 90 and 75 respectively. Indigo's employee engagement and customer focus was recogniJed outside of the Company, being named the top Canadian retail employer brand, and fourth overall Canadian employer brand, according to the annual award given by Randstad Canada, a staffing, recruitment, and human resources company. The Randstad award rewards and encourages best practices in building the best employer brands and is the only employer award where winners are chosen entirely by workers and by :ob seekers in search of employment opportunities within Canada's leading organiJations. The Company has ranked in the Top 20 Most Attractive ″mplo yer ˇrands in Canada since Randstad launched the program in 2011.

Recently, Indigo was also voted one of the best companies to work for in Ontario by Indeed, a leading search engine for :ob listings. The Company's products, culture, customer-orientation and employee communication was noted as rationale for ranking fourth overall.

In aspiring for operational excellence, the challenge for the Company is to continually look for innovative ways to drive costs down while improving the services Indigo delivers to its customers.

In fiscal 201 , the Company re-engineered its highly cross-functional promotions process. In fiscal 2017, the Company focused on implementing supply chain productivity initiatives designed to deliver improved operating margins and improve service to customers. In fiscal 2018, the Company expanded its online distribution centre and acAuired a new facility in . estern Canada to support its growth and to improve service levels to customers nationally, especially during the Company's peak third Auarter holiday period. Going forward, Indigo will continue to focus on driving end-to-end productivity and process efficiency in the supply chain and across the Company. The Company is also continuing the process of implementing a new product information management system.

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The following three tables summariJe selected financial and operational information for the Company. 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 31, 2018 and April 1, 2017.

" ey elements of the consolidated statements of earnings and comprehensive earnings for the periods indicated are shown in the following table

81-0052A5' C 2 !- 2 !500 @9	52%wee(period ended March 31, 2018	% Re?enue	(I ,L ## 7#@5! #2! #! A7@06 I P6C	: R#K#2J#
R#K#2J#	1,079.4	100.0	6 P63;%	6PP;P
C5AG5' A G#A	(604.1)	56.0	8(D(;D9	((;(
C5AG5' 57#@G52A	(312.8)	29.0	8I 33;) 9	I 3;)
S#0G2* ! 1 -2-AG@GK# 2! 5G+#@#M7#2A#A	(107.5)	10.0	86PI ;D9	6P;6
Ad'usted EBITDA[6]	**55.0**	**5.1**	(I ;I	(;6
A1 5@G0 G52 2! 5G+#@#0 G#! 7-G0 + @#A	(28.5)	(2.6)	8I C;P9	8I ;D9
N#G-2G#@#AG-2 51 #	3.0	0.3	I ;I	P;I
E @-2*A'@1 #<J-GN-2K#AG1 #2GA	1.0	0.0	6;D	P;I
Earnings before income taAes	**30.5**	**2.8**	I 3;P	I ;%

6 E @-2*A #5@#-2G#@#AG G M#A ! #7@# - G52 1 5@G0 G52 -1 7 -@ #2G AA#G!-A75A 0A 2! #<J-GN-2K#AG1 #2GA; A0A5 A## =N52,IFRS F-2 2 - 0M# AJ@#A;>

Ad:usted "ˇIT˙ A is a key indicator used by the Company to measure performance against internal targets and prior period results and is commonly used by financial analysts and investors to assess performance. This measure is specific to Indigo and has no standardiJed meaning prescribed by IFRS. Therefore, ad:usted "ˇIT˙ A may not be comparable to similar measures presented by other companies. "ar nings before income taxes, the most directly comparable measure determined under IFRS, is presented above for informational purposes.

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

81-0052A5' C 2 !- 2 !500 @ #M#7G7#@A+ @#! G9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C	(H,L ## 7#@5! #2! #! A7@0I I P6D
Re?enue			
SJ7#@AG5@#A	728.6	CPI ;6	D3(;H
S1 0'5@ GAG5@#A	143.6	6) P;C	6) P;I
O2G2#	176.8	6) %;I	6HH;H
OG+#@	30.4	I %;%	I (;)
	1,079.4	6 P63;%	33) ;I
E @-2*A #5@#-2 51 # G M#A	30.5	I 3;P	I I ;6
I2 51 # G M@# 5K#@N 8#M7#2A#9	(8.7)	8%;69	D;(
N#G# @-2*A	21.8	I P;3	I %;D
T5G 0 AA#GA	633.6	DP%;D	(%) ;P
L52*,G#@ ! # G82 0!-2* J@#2G75@529	–	&	P;6
5@-2* 7-G 0	257.0	I) %;6	I 6C;3
B A- # @-2*A 7#@A+ @#	$0.81	" P;C3	" 6;6P
D-0G#! # @-2*A 7#@A+ @#	$0.80	" P;C%	" 6;P3

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

	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #. A7@06 I P6C	(H,L ## 7#@5! #2! #. A7@0I I P6D
Comparable Sales Growth[6]			
T5G 0@#G-0 2! 52Q2#	**6.2%**	) ;6:	6I ;3:
SJ7#@A05@#A	**4.0%**	I ;3:	6I ;%:
S1 00'5@ GA05@#A	**2.4%**	P;3:	6P;3:
Stores Opened			
SJ7#@A05@#A	**–**	6	&
S1 00'5@ GA05@#A	**1**	6	6
	1	I	6
Stores Closed			
SJ7#@A05@#A	**3**	&	H
S1 00'5@ GA05@#A	**1**	6	(
	4	6	%
Number of Stores Open at ear%End			
SJ7#@A05@#A	**86**	%3	%%
S1 00'5@ GA05@#A	**123**	6I H	6I H
	209	I 6I	I 66
Selling Square Footage at ear%End 82 G+5JA 2! A9			
SJ7#@A05@#A	**1,887**	6 3(H	6 3I (
S1 00'5@ GA05@#A	**308**	HP)	HP(
	2,195	I I (C	I I HP

6 S## =N52,IFRS F-2 2 - 0M# AJ@A>;

Revenue

Total consolidated revenue for the 52-week period ended March 31, 2018 increased $59. million or 5.8 to $1,079.4 million from $1,019.8 million for the 52-week period ended April 1, 2017. ˜igher revenue was driven by continued double-digit growth in general merchandise, most significantly in lifestyle and toys. The toy business benefited from the popularity of collectibles within the industry, while lifestyle grew due to strengthened seasonal assortments throughout the period. 'r int sales experienced a slight decline as the Company was cycling over the blockbuster release of *a' '. %tte'and the *'sed hi"d* in fiscal 2017.

Total comparable sales, which includes online sales, increased by .2 for the year. Total comparable sales is based on comparable retail store sales and includes online sales for the same period. Comparable retail store sales are based on a 52-week fiscal year and defined as sales generated by stores that have been open for more than 52 weeks. These measures exclude sales fluctuations due to store openings and closings, permanent relocation, and material changes in sAuare footage. ˇoth measures are key performance indicators for the Company but have no standardiJed meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Comparable retail superstore sales for the year increased 4.0 , while small format stores increased 2.4 . The increase was mainly driven by the reasons discussed above. ˙ur ing the 52-week period ended March 31, 2018, the Company rebranded or relocated five superstores, and four small format stores. In the same period, the Company closed one small format store and three superstores.

Online revenue increased by $28. million or 19.3 to $17 .8 million for the 52-week period ended March 31, 2018 compared to $148.2 million in the same period last year. Online sales continued to grow across all categories, in both print and general merchandise, with highly successful promotional campaigns, such as ˇlac k Friday, driving a meaningful increase in e-commerce traffic and average order value.

Revenue from other sources includes cafL revenue, irewards card sales, revenue from unredeemed gift cards ("gift card breakage"), revenue from unredeemed plum points ("plum breakage"), corporate sales, and revenue-sharing with Rakuten " obo Inc. ("" obo"). Revenue from other sources increased $1. million or 5. to $30.4 million for the 52-week period ended March 31, 2018 compared to $28.8 million last year as higher gift card and plum breakage was partially offset by lower cafL revenue.

Management reviewed its accounting estimates related to the calculation of gift card and plum breakage and ad:usted accordingly to reflect changes in customer redemption patterns and historical amendments to the program structure. The impact of this change in estimate for the 52-week period ended March 31, 2018 was $7.5 million and $4.4 million respectively, and has been accounted for prospectively as a change in accounting estimate. Management will continue to monitor redemption activity and will ad:ust for changes as observed. This increase was partially offset by a $8.7 million decrease in cafL revenue due to the termination of the Company's license to operate Starbucks-branded cafLs within certain retail locations. The Company now subleases space to Starbucks in each of the previously licensed locations for Starbucks to operate corporate-run cafLs in the Company's retail locations.

Revenue by channel is highlighted below

81 -0052A 5' C 2 ! - 2 ! 500 @9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C	: -2 @# A#	C51 7 @ 0# A 0#A : -2 @# A#
SJ7#@AG5@#A	728.6	CPI ;6	H;%	) ;P
S1 00'5@ GAG5@#A	143.6	6) P;C	I ;6	I ;)
O2O2# 82 0!-2* AG5@#/-5A/A9	176.8	6) %;I	63;H	63;H
OG+#@	30.4	I %;%	(;D	NEA
Total	1,079.4	6 P63;%	(;%	D;I

Revenue by product line is as follows

	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
P@2G5	55.0%	(%;D:
G#2#@01 #@+ 2!-A#	41.6%	HC;C:
#R# !-2*H	0.9%	6;I :
OG+#@	2.5%	I ;(:
Total	100.0%	6PP;P:

6 I2 0!#A 55/A 1 * O2#A 2#LA7 7#@ 2! A+77-2* @#K#2J#;
I I2 0!#A 0 #A0N0# 7 7#@G5NA #0# G52- A 2! A+77-2* @#K#2J#;
H I2 0!#A #R# !#@ #R# !#@ #AA5@#A K5 5 @#K#2J# A+ @# 2! A+77-2* @#K#2J#;
) I2 0!#A '$A -@L @A *-'G @ @# / *# P01 @# / *# 2! 5@5@G# A 0#A;

Reconciliations between total revenue and comparable sales are provided below

8l -0052A 5' C 2 !-2 !500 @9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
T5G 0@#G -0AG5@# @#K#2J #	872.2	%) I ;%
T5G 052 02# @#K#2J #	176.8	6) %;I
A! .J AG1 #2GA '5@AG5@#A 25G-2 5G+'-A 07#@5! A	(24.3)	8I (;D9
Total comparable sales	**1,024.7**	3D(;)

	SJ7#@AG5@#A		S1 00'5@ GAG5@#A	
8l -0052A 5' C 2 !-2 !500 @9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
T5G 0@#K#2J # N'5@ G	728.6	CPI ;6	143.6	6) P;C
A! .J AG1 #2GA '5@AG5@#A 25G-2 5G+'-A 07#@5! A	(19.1)	8I P;69	(5.2)	8(;(9
Comparable retail store sales	**709.5**	D%I ;P	**138.4**	6H(;I

Cost of Sales

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 by $38.5 million to $ 04.1 million for the 52-week period ended March 31, 2018 compared to $5 5. million last year. As a percent of total revenue, cost of sales increased 0.5 to 5 .0 compared to 55.5 last year. This rate increase was primarily driven by higher penetration of lower margin online sales and higher discounting driven by increased markdowns on slow-moving holiday products. Improvements in the Company's online fulfillment capabilities in the current year allowed for more competitive promotional campaigns in the Online channel, resulting in downward pressure on margin. The downward pressure on margin was partly offset by the previously discussed one-time plum and gift card breakage.

Cost of Operations

Cost of operations includes all store, store support, online, and distribution centre costs. Cost of operations increased by $13.4 million to $312.8 million for the 52-week period ended March 31, 2018 compared to $299.4 million last year. As a percent of total revenue, cost of operations decreased by 0.4 to 29.0 , compared to 29.4 last year.

The increase in operating costs was primarily driven by higher distribution centre costs of $10. million, as a result of higher sales volumes and an additional $1.8 million in expenses related to the Company's expansion of its Ontario online distribution centre and its new . estern Canada distribution centre. Online operating expenses increased $3.9 million, as variable selling expenses grew in line with sales volumes and as the Company's online merchant and digital teams expanded to support continued growth. This was partially offset by a $1.0 million decrease in store-level operating costs. This decrease was caused by lower cafL expenses as a result of the previously discussed termination of the Company's license to operate Starbucks-branded cafLs within certain retail locations.

Selling, Administrative, and Other Expenses

Selling, administrative, and other expenses include marketing, head office costs, and operating expenses associated with the Company's strategic initiatives. These expenses increased $4.9 million to $107.5 million for the 52-week period ended March 31, 2018 compared to $102. million last year. As a percent of total revenue, selling, administrative, and other expenses decreased 0.1 to 10.0 compared to 10.1 last year.

˜igher expenses in the current year were driven by increased investment in creative, construction and other head office areas to support sales growth and the transformation of retail and digital platforms. The prior year non-recurring proceeds associated with a reconciliation of cafL charges further contributed to the unfavourable year-over-year variance.

Adjusted EBITDA

Ad:usted ˝ˇIT˙ A, defined as earnings before interest, taxes, depreciation, amortiJation, impairment, asset disposals, and eAuity investment increased $2.8 million to $55.0 million for the 52-week period ended March 31, 2018 compared to $52.2 million last year. Ad:usted ˝ˇIT˙ A as a percent of revenue remained flat at 5.1 . Ad:usted ˝ˇIT˙ A was impacted by top-line growth, offset by a decline in margin rate and increased operating costs, as a result of higher sales volumes and increased selling, administrative and other expenses to support strategic areas. A change in accounting estimates for breakage also contributed to ad:usted ˝ˇIT˙ A improvement. A reconciliation of ad:usted ˝ˇIT˙ A to net earnings before taxes has been included in the “Non-IFRS Financial Measures” section of Management’s ˙iscussion and Analysis.

Capital Assets

˙epr eciation and amortiJation for the 52-week period ended March 31, 2018 increased by $1.8 million to $27.0 million compared to $25.2 million last year. The increase in amortiJation was driven by increasing levels of capital asset additions in the recent years.

Capital expenditures in fiscal 2018 totaled $54.0 million compared to $30. million last year. Capital expenditure increases in the current year were driven by continued implementation of changes across Indigo’s retail outlets, including full renovations and rebranding of stores, investments in digital, and investments in back-end productivity initiatives. Capital expenditures for fiscal 2018 included $30. million for retail store renovations and eAuipment, $ .4 million for technology eAuipment,and $1 .9 million primarily for application software and internal development costs, which are classified as intangible assets. None of the capital expenditures were financed through leases.

The Company also assessed whether indicators of capital asset impairment or impairment reversals existed at each reporting date. For capital assets that could be reasonably and consistently allocated to individual stores, the store level was used as the cash-generating unit (“CG,”). ˙ur ing the year, no impairment and reversal were reAuired, compared to net capital asset impairment reversals of $1.0 million last year. Impairment reversals in the prior year were driven by improved store performance and the likelihood of lease term renewals. All impairment reversals and losses were spread across a number of CG,s at the store level. Recoverable amounts for CG,s being tested were based on value in use, which was calculated from discounted cash flow pro:ections over the remaining lease terms, plus any renewal options where renewal was likely.

Net Interest Income

The Company recogniJed net interest income of $3.0 million for the 52-week period ended March 31, 2018, compared to $2.2 million last year. The Company nets interest income against interest expense. Compared to last year, the Company generated more interest income by maintaining a cash balance in short-term investments that earn higher interest rates.

Earnings from Equity Investments

The Company uses the eAuity method to account for its investments in Calendar Club and ,nplug Meditation LLC (“,nplug”), a , .S. meditation studio, which the Company invested in during the first Auarter of fiscal 2018, resulting in a 20 voting interest and representation on the board of managers. The Company recogniJes its share of eAuity investment earnings and losses as part of consolidated net earnings and losses. The Company recogniJed a net gain from Calendar Club of $1.0 million for the 52-week period ended March 31, 2018, compared to net earnings of $1. million for the same period last year. ˝ar nings from ,nplug were immaterial for the 52-week period ended March 31, 2018.

Income Taxes

The Company recogniJed a primarily non-cash income tax expense of $8.7 million for the 52-week period ended March 31, 2018, compared to recogniJing a primarily non-cash income tax expense of $8.1 million last year. Income tax expense in the current year primarily relates to a decrease in deferred tax assets. The Company's current year effective tax rate was 28.5 compared to 27.9 last year.

Net Earnings

The Company recogniJed net earnings of $21.8 million for the 52-week period ended March 31, 2018 ($0.81 net earnings per common share), compared to net earnings of $20.9 million ($0.79 net earnings per common share) last year. The increase in net earnings was primarily driven by top-line growth, partially offset by a decline in margin rate and increased operating costs, as a result of higher sales volumes and other expenses to support strategic areas. Additionally, net earnings were unfavourably impacted by higher amortiJation, lower earnings from eAuity investments and higher non-cash income tax expense.

Other Comprehensive Income

Other comprehensive income consists primarily of gains and losses related to hedge accounting. The Company has a formal hedging policy to mitigate foreign exchange risk, entering into contracts to manage the currency fluctuation risk associated with forecasted , .S. dollar expenses, primarily for general merchandise inventory purchases. Financial instruments used to mitigate risk include foreign exchange forward contracts. All contracts entered during the period have been designated as cash flow hedges for accounting purposes and extend over a period not exceeding 12 months.

˙ur ing the 52-week period ended March 31, 2018, the Company entered contracts with total notional amounts of C$137.9 million to buy , .S. dollars and sell Canadian dollars, compared to entering contracts with total notional amounts of C$173.4 million last year. As at March 31, 2018, the Company had remaining contracts in place representing a total notional amount of C$79.2 million and an unrealiJed net gain of $1.1 million, compared to a total notional amount of C$70.3 million and an unrealiJed net gain of $0.3 million as at April 1, 2017. ˙ur ing the 52-week period ended March 31, 2018, net losses of $3.3 million from settled contracts were reclassified from other comprehensive income to inventory and expenses compared to reclassified net gains of $1.2 million for the same periods last year.

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Indigo's business is highly seasonal and follows Auarterly sales and profit (loss) fluctuation patterns, which are similar to those of other retailers that are highly dependent on the November ˙ecember holiday sales season. A disproportionate amount of revenues and profits are earned in the third Auarter. As a result, Auarterly 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), basic and diluted earnings (loss) per share for the preceding eight fiscal Auarters.

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R#K#2J#	**215.3**	) HH;H	I I) ;(	I PD;H	I P3;(	) PP;H	I 6D;3	63H;6
T5G 02#G# @2-2*A 805AA9	**(10.8)**	) I ;D	8) ;C9	8(;H9	8%;39	) P;P	86;I 9	83;P9
B A- # @2-2*A 805AA97#@A+ @#	**($0.40)**	" 6;(%	8' P;6%9	8' P;I P9	8' P;HH9	" 6;(6	8' P;P) 9	8' P;H) 9
D-0JG#! # @2-2*A 805AA97#@A+ @#	**($0.40)**	" 6;(D	8' P;6%9	8' P;I P9	8' P;HH9	" 6;) %	8' P;P) 9	8' P;H) 9

On a 13-week basis, total comparable sales, which includes online sales, increased by .2 in the fourth Auarter. Comparable retail store sales for the same period increased 5.2 in superstores and 5.9 in small format stores. The increase in total comparable sales was primarily driven by continued general merchandise growth and strong online sales growth.

For the 13-week period ended March 31, 2018, total consolidated revenue increased by $5.8 million to $215.3 million compared to $209.5 million for the 13-week period ended April 1, 2017. Retail revenue increased by $7.4 million, or 4.5 , to $172.9 million compared to $1 5.5 million in the same Auarter last year. The increase was driven by strong general merchandise sales, partly offset by a slight decline in print. Online revenue showed continued growth, increasing by $3.4 million, or 9. , to $39.0 million compared to $35. million in the same Auarter last year. The growth in online revenue was driven by general merchandise, particularly toys, due to the success of March ˇr eak promotions in the current period.

Net loss for the 13-week period ended March 31, 2018 was $10.8 million compared to a loss of $8.9 million for the 13-week period ended April 1, 2017. The improvement in revenue was offset by higher operating costs driven by the rise of the Ontario minimum wage and higher fixed costs due to expansion of the Company's distribution centres in Ontario and Alberta. Offsetting these cost increases were a reduction in capital asset disposals and higher income tax recovery. In the same period last year, the Company had $2.8 million of capital asset disposals driven by certain capital asset derecognitions, compared to $0.7 million this Auarter. The Company also recogniJed a $4. million net income tax recovery in the fourth Auarter of fiscal 2018 compared to a $3.1 million net income tax recovery in the same Auarter last year.

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Assets

As at March 31, 2018, total assets increased $25.0 million to $ 33. million, compared to $ 08. million as at April 1, 2017. The increase was driven by higher inventory, property plant and eAuipment, and intangible assets, partially offset by a decrease in short-term investments, deferred tax assets, and prepaid expenses.

The inventories increase of $33.0 million was in line with sales growth, and enabled by the Company's investment in its online distribution facility capacity. The increase in property, plant and eAuipment of $17.2 million was driven by investment in retail store renovations, distribution facilities, and digital initiatives. Intangible assets increased by $8.9 million in the year as a result of application software and internal development costs to support strategic initiatives, and investment in the Company's e-commerce site ahead of its ,S expansion.

The net decrease in cash, cash eAuivalents and short term investments of $20.2 million was a result of increased capital investment activities undertaken by the Company as discussed and lower cash balances generated from operating activities. 'r epaid expenses decreased by $7. million due to the timing of certain payments.

Assets held for sale as at April 1, 2017 related to the termination of the Company's license to operate Starbucks-branded cafLs within certain retail locations and the subseAuent subleasing arrangement for Starbucks to operate corporate-run cafLs in these locations. All assets were transferred to Starbucks as at May 1, 2017.

Liabilities

As at March 31, 2018, total liabilities decreased $4.3 million to $232.5 million compared to $23 .8 million as at April 1, 2017. The decrease was driven by a $ .2 million reduction in unredeemed gift card liability and a $4.0 million reduction in deferred revenue related to plum liability, which were primarily driven by revisions of accounting estimates due to subtle changes in historic redemption patterns. This movement was partially offset by a $5.8 million increase in current and long-term accounts payable and accrued liabilities, as a result of increased inventory volumes, bonus accruals and other store renovations costs.

Equity

Total eAuity at March 31, 2018 increased $29.3 million to $401.1 million, compared to $371.8 million as at April 1, 2017 primarily driven by net earnings of $21.8 million for the current year. Share capital increased by $5.9 million due to the exercise of stock options. Correspondingly, contributed surplus decreased due to exercise of stock options, but the decrease was offset by the issuance of new stock options.

The weighted average number of common shares outstanding for fiscal 2018 was 2 ,849,418 compared to 2 ,384,775 last year. As at May 29, 2018, the number of outstanding common shares was 2 ,807,803 with a book value of $221.9 million.

Working Capital and Leverage

The Company reported working capital of $257.0 million as at March 31, 2018, compared to $248.1 million as at April 1, 2017. Increased working capital compared to the same period last year was a result of both higher current assets and lower current liabilities. Notably, an increase in inventories of $33.0 million and a decrease of gift card and plum liabilities due to changes in accounting estimate in the year was partially offset by a decrease in cash, cash eAuivalents and short-term investments due to investments in strategic initiatives.

The Company's leverage position (defined as Total Liabilities to Total ″ Auity) remained consistent at 0. 1 as at March 31, 2018 compared to to 0. 1 as at April 1, 2017.

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Cash and cash eAuivalents increased $19.8 million during fiscal 2018, compared to a decrease of $8 .1 million in the prior year. The increase in fiscal 2018 was driven by cash flows generated from operating activities of $28.4 million and financing activities of $4.9 million. This increase was partially offset by cash used for investing activities of $12. million and the effect of foreign currency exchange rate changes on cash and cash eAuivalents of $0.9 million.

Cash Flows from Operating Activities

The Company generated cash flows of $28.4 million from operating activities in fiscal 2018 compared to generating $35. million last year, a decrease of $7.2 million. The decrease was driven by a reduction in cash generated from working capital. The Company used $29.3 million of cash for working capital this year, compared to using $17.2 million of cash for working capital last year, primarily driven by the higher inventory balance in the current year.

Cash Flows Used for Investing Activities

The Company used cash flows of $12. million for investing activities in fiscal 2018 compared to using $127.4 million last year, a decrease of $114.9 million. In fiscal 2017, the Company reported $100.0 million of non-redeemable short-term investments, of which only $ 0.0 million was reinvested on maturity in fiscal 2018, generating investing cash flows of $40.0 million. This was offset by the Company's increased spending on capital pro:ects in the current year, which is consistent with previously discussed strategic initiatives. The Company spent $54.0 million on capital pro:ects this year compared to spending of $30. million last year, an increase of $23.4 million.

Cash was used for capital pro:ects as follows

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C52AG@ G52 @#25K G52A 2! #<J-71 #2G	30.7	6C;)
I2G 2*- O# AA#GA 87@1 @ON 77O G52 A5'GL @# 2! -2G#@ O! #K#O571 #2G 5AGA9	16.9	6P;6
T# +25O5*N #<J-71 #2G	6.4	H;6
Total	54.0	HP;D

Cash Flows from Financing Activities

The Company generated cash flows of $4.9 million from financing activities in fiscal 2018, which was consistent with the $4.9 million generated in the prior year. Cash flows were generated from proceeds of options exercised.

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The Company has a highly seasonal business that generates a significant portion of its revenue and cash flows during the November ˙ecember holiday season. The Company has minimal accounts receivable and a ma:ority of book products are purchased on trade terms with the right to return. The Company's main sources of capital are cash flows generated from operations, cash and cash eAuivalents, and short-term investments.

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

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˅a sed on the Company's liAuidity position and cash flow forecast, management expects its current cash position and future cash flows generated from operations to be sufficient to meet its working capital needs for fiscal 2019. In addition, the Company has the ability to reduce capital spending if necessary however, a long-term decline in capital expenditures may negatively impact revenue and profit growth.

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Critical Accounting Judgments and Estimates

The discussion and analysis of the Company'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 reAuires the Company to use :udgment and estimation to assess the effects of several variables that are inherently uncertain. These :udgments and estimates can affect the reported amounts of assets, liabilities, revenues, and expenses. The Company bases its :udgments and estimates on historical experience and other assumptions that management believes to be reasonable under the circumstances. The Company also evaluates its :udgments and estimates on an ongoing basis. Methods for determining all material :udgments and estimates are consistent with those used in prior periods, except as noted. The critical accounting :udgments 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 :udgment or estimation.

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The preparation of the consolidated financial statements in conformity with IFRS reAuires the Company to make :udgments, 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 :udgments made by the Company. Information about :udgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues, and expenses is discussed below. Information about significant estimates is discussed in the following section.

Impairment

An impairment loss is recogniJed for the amount by which the carrying amount of an asset or a CG, exceeds its r ecoverable amount. Impairment losses are reversed if the recoverable amount of the capital asset, CG, , or group of CG,s 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 amortiJation, if no impairment loss had been recogniJed. The Company uses :udgment when identifying CG,s and when assessing for indicators of impairment or reversal.

Intangible assets

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

Leases

The Company uses :udgment in determining whether a lease Aualifies 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 :udgment. The assessment of the probability of future taxable income in which deferred tax assets can be utiliJed 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 ad:usted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credits. ˙e ferred tax assets are recogniJed 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 utiliJed. Any difference between the gross deferred tax asset and the amount recogniJed is recorded on the balance sheet as a valuation allowance. If the valuation allowance decreases as a result of subseAuent events, the previously recogniJed valuation allowance will be reversed. The recognition of deferred tax assets that are sub:ect to certain legal or economic limits or uncertainties are assessed individually by the Company based on the specific facts and circumstances.

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The preparation of the consolidated financial statements in conformity with IFRS reAuires 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 eAual 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 recogniJes 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 gift card breakage revenue is recogniJed 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 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, ad:usting the estimated cost per point based upon expected future activity.

Inventories

The future realiJation of the carrying amount of inventory is affected by future sales demand, inventory levels, and product Auality. 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 that will take the net realiJable 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 each reporting date 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 eAuity-settled transactions with counterparties is based on the Company's estimate of the fair value of share-based instruments and the number of eAuity 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 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 certain variables, such as future sales, gross margin rates, expenses, capital expenditures, working capital investments, and lease terms, which are based upon historical experience and expected future performance. ˙eter mining the applicable discount rate involves estimating appropriate ad:ustments to market risk and to Company-specific risk factors.

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

Capital assets are depreciated and amortiJed over their useful lives, taking into account residual values where appropriate. Assessments of useful lives and residual values are performed on an ongoing basis 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 pro:ected disposal value, and future market conditions.

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Statement of Cash Flows ("IAS 7")

In !anuary 201 , the IASˇ issued amendments to IAS 7 as part of the IASˇ's ˙isclosur e Initiative. These amendments reAuire entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The Company applied this standard beginning April 2, 2017. Adopting these amendments did not have a significant impact on the Company's results of operations, financial position, or disclosures.

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Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASˇ issued IFRS 15, a new standard that specifies how and when to recogniJe revenue as well as reAuiring 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 retrospectively using either the retrospective or cumulative effect method for annual reporting periods beginning on or after !anuary 1, 2018. The Company plans to apply this standard using the retrospective transition method beginning April 1, 2018.

Implementation of IFRS 15 is expected to impact the allocation of deferred plum program revenue. Revenue is currently allocated to plum points using the residual fair value method. ,nder IFRS 15, revenue will be allocated based on relative standalone selling prices between plum points and the goods on which points were earned. The implementation of the standard is not expected to have a material Auantitative impact on the consolidated financial statements. The Company is currently evaluating the effects of disclosure reAuirements of IFRS 15 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

Financial Instruments (“IFRS 9”)

In !uly 2014, the IAS˅ issued the final version of IFRS 9, which reflects all phases of the financial instruments pro:ect and replaces IAS 39, “Financial Instruments Recognition and Measurement,” and all previous versions of IFRS 9. The standard introduces new reAuirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after !anuary 1, 2018. The Company plans to apply this standard beginning on April 1, 2018.

IFRS 9 more closely aligns hedge accounting with risk management activities and applies a more Aualitative and forward-looking approach to assessing hedge effectiveness. The Company has determined that the adoption of IFRS 9 will not have a significant impact on its consolidated financial results. The Company is currently evaluating the effects of the disclosure reAuirements of IFRS 9 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

Leases (“IFRS 16”)

In !anuary 201 , the IAS˅ issued IFRS 1 , which supersedes existing standards and interpretations under IAS 17, “Leases.” IFRS 1 introduces a single lessee accounting model, eliminating the distinction between operating and finance leases. The new lessee accounting model reAuires substantially all leases to be reported on a company’s balance sheet and will provide greater transparency on companies’ leased assets and liabilities. IFRS 1 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. .hile the Company is still assessing the impact of adopting this standard on its consolidated financial statements, the recognition of certain leases is expected to have a material impact on the Company’s consolidated balance sheets.

The new standard will apply for annual periods beginning on or after !anuary 1, 2019. The Company plans to apply this standard beginning March 31, 2019. For leases where the Company is the lessee, it has the option of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 1 . The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the standard.

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Risk factors

The Company is exposed to a variety of risk factors and has identified the principal risks inherent in its business. The relative severity of these principal risks is impacted by the external environment and the Company’s business strategies and, therefore, will vary from time to time.

The Company cautions that the following discussion of risk factors that may affect future results is not exhaustive. The Company’s performance may also be affected by other specific risks that may be highlighted from time to time in other public filings of the Company available on the Canadian securities regulatory authorities’ website at *seda*' %#. .hen relying upon forward-looking information to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties, assumptions, potential events, industry, and Company-specific factors that may adversely affect future results. The Company assumes no obligation to update or revise previously filed public documents to reflect new events or circumstances, except as reAuired by law.

Economic Environment

Traditionally, retail businesses are highly susceptible to market conditions in the economy. ″conomic conditions, both on a global scale and in particular markets, may have significant effects on consumer confidence and spending. A decline in consumer spending, especially during the November ˙ecember 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, political uncertainty, the impact of natural disasters, geo-political events or acts of terrorism, or higher interest rates or unemployment rates, could also unfavourably impact the Company’s financial performance.

Competition

The retail industry is highly competitive and continues to experience fundamental changes in a rapidly changing environment.

Specialty bookstores, independents, other book superstores, regional multi-store operators, supermarkets, retail pharmacies, warehouse clubs, mail order clubs, Internet booksellers, mass merchandisers, and other retailers continue to sell physical book offerings, often at substantially discounted prices. Many of these competitors, as well as other retailers, also offer eˇooks, eReaders and other digital reading options, which compete for the share of the customer's discretionary book and entertainment budget. This competition could negatively impact the Company's revenues and margins.

The general merchandise retail landscape also features a significant competition from established retailers and emerging disruptive digital retail options, 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 through both physical and digital platforms. New competitors freAuently enter the market and existing competitors may 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 revenue could be adversely affected.

Aggressive merchandising or discounting by competitors could also reduce the Company's revenue, market share, and operating margins.

Real Estate

The Company leases all of its retail locations and 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. ,nfor eseen increases in occupancy costs, or costs incurred as a result of unanticipated store closings or relocations, could also unfavourably impact the Company's performance.

Strategic Initiatives

The retail industry is constantly changing and management is committed to the Company's continued growth and success. ″xpansion into new markets, including the ,nited States, or the launch of new initiatives could place a significant strain on the Company's management, operations, technical performance, financial resources, and internal financial control and reporting functions. The Company will continue to change and modify its strategy based on its economic environment and there can be no assurances that Indigo's strategy will be successful.

Relationships with Suppliers

Indigo relies heavily on suppliers to sell books and general merchandise on acceptable terms and within agreed upon timelines. These suppliers are impacted by, among other things, increases in labour and input costs, labour disputes and disruptions, regulatory changes, political or economic instability, natural disasters, trade restrictions, tariffs, currency exchange rates, transport costs and other factors. The factors are beyond the Company's control and a failure to maintain favorable terms and relationships with these suppliers, or the absence of key suppliers, may affect the Company's ability to compete in the market - place. As Indigo continues to source a greater portion of its products from overseas, events causing disruptions of imports, changes in trade restrictions and tariffs, or currency fluctuations could negatively impact the Company's revenues and margins.

The Company is also reliant on third parties to provide services essential to daily operations. Any disruption to these third-party services could have an unfavourable impact on the Company's performance and reputation, including significant negative impact in areas such as supply chain logistics, software development and support, transaction processing, and other key processes. The Company cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions, or business relationships to mitigate the impact of disruptive events.

Inventory Management

The Company must manage its inventory levels to successfully operate the business. Inventory purchases are based on a number of variables, such as market trends and sales forecasts. Inability to respond to changing customer preferences or sales forecasts which do not match customer demand may result in excess inventory that must be sold at lower prices or an inventory shortage. .hile the ma:ority of the Company's book purchases are eligible for return to suppliers at full credit, the growth of the general merchandise business means 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 revenue and financial performance.

Product Quality and Product Safety

The Company sells products produced by third-party manufacturers and relies on vendors to provide Auality merchandise compliant with all applicable laws. Some of these products may expose the Company to potential liabilities and costs associated with defective products, product handling, and product safety. As part of its growth in general merchandise, the Company also sells food and personal care products and is sub:ect to the distinctive risks associated with those products.

These risks could result in harm to the Company's customers and expose Indigo to product liability claims, damage the Company's reputation, and lead to product recalls. Liabilities and costs related to product Auality and product safety may also have a negative impact on the Company's revenue and financial performance. The Company has policies and controls in place to manage these risks, including maintaining liability insurance and offering product safety guidance to third-party manufacturers.

Information Technology and Digital Platforms

The Company increasingly depends on the proper operation of its information technology platforms and those of third parties to successfully conduct daily business functions, maintain its competitive position in the marketplace and enable its growth strategy. The Company continues to invest in new technologies to expand its competitiveness and customer experience. Any failure in the implementation of these solutions, the operation of current information technology systems, platforms or third-party cloud-based processing could result in a significant disruption to the business, potentially negatively impacting revenue or damaging the Company's reputation. Furthermore, the Company continues to rely on legacy technologies and systems and any failure to migrate to new technology systems could impact Indigo's operational effectiveness.

Cybersecurity

A failure in, or breach of, the Company's Information Technology operational or security systems or physical infrastructure, or those of Indigo's third-party vendors, cloud-based services, 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 brand and reputation, lead to temporary or permanent loss of data, increase the Company's remediation costs and legal liabilities, and impact its financial position and or ability to achieve its strategic ob:ectives. Although Indigo has business continuity plans and other safeguards in place, along with robust information security procedures, employee security awareness training and controls, the Company's business operations may be adversely affected by significant and widespread disruption to Indigo's physical Information Technology infrastructure or operating systems that support the Company's business and customers. As cyber threats continue to evolve and become more difficult to detect, the Company may be reAuired to expend significant additional resources to continue to modify or enhance Indigo's protective measures to protect against, among other things, security breaches, computer viruses and malware, phishing, hacktivism, cyberterrorism, denial-of-service attacks, credentials compromise, or to investigate and remediate any information security vulnerabilities.

Disaster Recovery and Business Continuity

. eather 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 operations and financial performance. Moreover, if such events were to occur at peak times in the Company's 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.

Key Personnel

The Company's continued success will depend to a significant extent upon securing and retaining sufficient talent in management and other key areas. ″mplo yees have developed specialiJed skills and an in-depth knowledge of the business. Failure to effectively attract and retain talented and experienced employees or failure to establish adeAuate succession planning could result in a lack of reAuisite knowledge, skill and experience. If the Company does not continue to attract Aualified individuals, train them in Indigo's business model, support their development, and retain them, the Company's performance could be adversely affected and growth could be limited. The loss of the services of key personnel, particularly Ms. Reisman, could have a material adverse effect on the Company. To mitigate the risk of personnel loss, the Company has implemented a number of employee engagement and retention strategies.

Corporate Reputation

The Company's corporate reputation and those of its retail banners are very important to Indigo's success and competitive position. The Company's reputation and, conseAuently, its brand, may be negatively affected by various factors, some of which may be outside of Indigo's control. Adverse events may damage the Company's reputation and brand at the corporate or retail level. Should negative factors materialiJe and diminish Indigo's brand eAuity, there could be a material adverse effect on the Company's operations and financial performance.

Credit, Foreign Exchange, and Interest Rate Risks

Indigo is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. Credit risk primarily arises from accounts receivable, cash and cash eAuivalents, short-term investments, and derivative financial instruments.

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 limits its exposure to counterparty credit risk related to cash and cash eAuivalents, short-term investments, and derivative financial instruments by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term to maturity.

The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and , .S. dollars. ˙ecr eases in the value of the Canadian dollar relative to the , .S. dollar could negatively impact net earnings since the purchase price of some of the Company's products are negotiated with vendors in , .S. dollars, while the retail price to Indigo's customers is set in Canadian dollars. The Company also has a New /ork office that incurs , .S. dollar expenses. The Company maintains a hedging program to mitigate foreign exchange risk.

The Company's interest income is sensitive to fluctuations in Canadian interest rates, which affect the interest earned on Indigo's cash and cash eAuivalents and short-term investments. The Company has minimal interest rate risk and does not use any interest rate swaps to manage its risk. The Company does not currently have any debt.

Legal Proceedings

In the normal course of business, Indigo becomes involved from time to time in litigation and disputes. Since outcomes of regulatory investigations, litigation and arbitration disputes are inherently difficult to predict, there is the risk that an unfavourable outcome in any of these matters could negatively affect the Company's business, financial condition and performance. Regardless of the outcome, litigation may result in substantial costs and expenses to the Company and significantly divert the attention of the Company's management. .hile the final outcome of such claims and litigation pending as at March 31, 2018 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company's financial position.

Regulatory Environment

The Company's operations and activities are sub:ect to a number of laws and regulations in Canada, the ,nited States and in other countries. Changes to statutes, laws, regulations or regulatory policies, including tax laws, accounting principles, and environmental regulations, or changes in their interpretation, implementation or enforcement, could adversely affect the Company's operations and performance. The Company may incur significant costs in the course of complying with any such changes.

The Company is also sub:ect to continuous examination of its regulatory filings by various securities regulators, tax authorities, and environmental stewards. As a result, authorities may disagree with the positions and conclusions taken by the Company in its filings, resulting in a reassessment. Reassessments could also arise from amended legislation or new interpretations of current legislation. Any reassessment could adversely affect the Company's financial performance.

Failure to comply with applicable regulations could also result in :udgment, 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 ˇook 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.

Compliance with Privacy Laws

A number of federal, provincial and state statutes govern the privacy rights of the Company's employees and customers. These privacy laws create certain obligations regarding the Company's handling of personal information, including obligations relating to obtaining appropriate consent, limitations on use, retention, 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 and processes to comply with applicable privacy laws in connection with the collection, use, retention, 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.

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 in:uries, productivity loss, and liabilities to the Company. 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 reAuirements.

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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 ″x ecutive Officer (“C″O”) and Chief Financial Officer (“CFO”), so that appropriate decisions can be made by them regarding public disclosure.

As reAuired by National Instrument 52-109, “Certification of ˙isclosur e in Issuers’ Annual and Interim Filings,” the C″O and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of such disclosure controls and procedures. ˇased on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at March 31, 2018.

I2G#@ 0C52G@5OA 5K#@F-2 2 - 0R#75@G2*

Management is also responsible for establishing and maintaining adeAuate 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 reAuired to use :udgment in evaluating controls and procedures.

As reAuired by National Instrument 52-109, “Certification of ˙isclosur e in Issuers’ Annual and Interim Filings,” the C″O 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 OIntegrated Framework (“COSO Framework”) published in 2013 by the Committee of Sponsoring OrganiJations of the Treadway Commission. ˇased 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 31, 2018.

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Management has also evaluated whether there were changes in the Company’s internal controls over financial reporting that occurred during the period beginning on ˙ecember 31, 2017 and ended on March 31, 2018 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.

C JG52 @NSG G#1 #2GR#* @-2* F5@L @,L55/-2* SG G#1 #2GA

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. ˜o wever, whether actual results and developments will conform to the expectations and predictions of the Company is sub:ect 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. ConseAuently, all of the forward-looking statements made in this discussion are Aualified by these cautionary statements and there can be no assurance that results or developments anticipated by the Company will be realiJed or, even if substantially realiJed, that they will have the expected conseAuences to, or effects on, the Company.

N52,IFRS F-2 2 - 0M# AJ@#A

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

Total comparable sales (including online), comparable retail store sales, and ad:usted ″ˇIT˙ A are key indicators used by the Company to measure performance against internal targets and prior period results. These measures are commonly used by financial analysts and investors to compare the Company to other retailers.

Total comparable sales is based on comparable retail store sales and includes online sales for the same period. Comparable retail store sales are based on a 52-week fiscal year and defined as sales generated by stores that have been open for more than 52 weeks. These measures exclude sales fluctuations due to store openings and closings, permanent relocation, and material changes in sAuare footage. ˇoth measures are key performance indicators for the Company. Ad:usted ″ˇIT˙ A is defined as earnings before interest, taxes, depreciation, amortiJation, impairment, asset disposals, and eAuity investments. The method of calculating ad:usted ″ˇIT˙ A is consistent with that used in prior periods.

Reconciliations between total comparable sales, comparable retail store sales, and revenue (the most comparable IFRS measure) were included earlier in this report. A reconciliation between ad:usted ″ˇIT˙ A and earnings (loss) before income taxes (the most comparable IFRS measure) is provided below

81 -0052A 5' C 2 ! - 2 ! 500 @A9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
A! .JAG#! EBITDA	**55.0**	(I ;I
D#7@# - G52 5' 7@57#@N 70 2G 2! #<J-71 #2G	**(19.1)**	86D;D9
A1 5@G0 G52 5' -2G 2*- 0# AA#GA	**(7.9)**	8%;D9
N#G@#K#@A 05' 7-G 0 AA#G-1 7 -@1 #2GA	–	6;P
L5AA 52 ! -A75A 05' 7-G 0 AA#GA	**(1.5)**	8I ;%9
N#G-2G#@#AG-2 51 #	**3.0**	I ;I
S+ @#5' # @2-2*A'@51 #<J-GN-2K#AG1 #2GA	**1.0**	6;D
Earnings before income taAes	**30.5**	I 3;P

Independent Auditors' Report

T5 G+# S+ @#+50 #@A 5' I2! -*5 B55/ A MJA- I2 ;

. e have audited the accompanying consolidated financial statements of Indigo ˇooks Music Inc., which comprise the consolidated balance sheets as at March 31, 2018 and April 1, 2017, and the consolidated statements of earnings and comprehensive earnings, changes in eAuity, and cash flows for the 52-week period ended March 31, 2018 and the 52-week period ended April 1, 2017, 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. . e conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards reAuire that we comply with ethical reAuirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' :udgment, 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.

. e 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 ˇooks Music Inc. as at March 31, 2018 and April 1, 2017, and its financial performance and its cash flows for the 52-week period ended March 31, 2018 and for the 52-week period ended April 1, 2017 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered 'r ofessional Accountants
Licensed 'ub lic Accountants

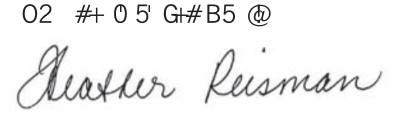
Toronto, Canada
May 29, 2018

Consolidated ˇalance Sheets

8G+5JA 2! A 5' C 2 ! - 2 ! 50O @9	As at March 31, 2018	AA G A7@06 I P6C
ASSETS		
Current		
C A+ 2! A+ #<J-K O#2GA 825G# D9	150,256	6HP) H%
S+5@Q,G#@ -2K#AG1 #2GA 825G# D9	60,000	6PP PPP
A 5J2GA @# #K O#	6,747	C)) %
I2K#2G5@#A 825G# C9	264,586	I H6 (CD
P@#7 -! #M7#2A#A	4,124	66 CPD
D#@K GK# AA#GA 825G# %9	1,439	I DD
AAA#GA +#O '5@A O# 825G# 669	–	6 PHC
Total current assets	487,152	) %I) C6
P@O7#@N 7O 2G 2! #<J-71 #2G 825G# 39	82,314	D(PC%
I2G 2*- O# AA#GA 825G# 6P9	24,215	6(I CI
E<J-GN-2K#AG1 #2GA 825G# I I 9	4,330	6 %PP
D# #@@#! GM AA#GA 825G# 6I 9	35,563	) H 3%6
Total assets	633,574	DP% DPI
LIABILITIES AND E IT		
Current		
A 5J2GA 7 N O# 2! @# ! O -OG#A 825G# I 69	176,479	6CP D66
U2@#! ##1 #! *-'G @ O -OGN	44,218	(P H3D
P@O5K-A-52A 825G# 6H9	166	66P
D# #@@#! @K#2J#	8,807	6I %(I
I2 51 # G M#A 7 N O#	152	HDP
D#@K GK# O -OG#A 825G# %9	327	&
Total current liabilities	230,149	I H) HI 3
L52*,G#@ @# ! O -OG#A 825G# I 69	2,283	I HC%
L52*,G#@ 7@O5K-A-52A 825G# 6H9	45	(6
Total liabilities	232,477	I HD C(%
EquitB		
S+ @# 7-G O 825G# 6(9	221,854	I 6(3C6
C52G@ JG#! AJ@ZOJA 825G# 6D9	11,621	6P DC6
R#G -2#! # @-2*A	166,807	6) (PPC
A J1 J O G#! 5G+#@ 51 7@#+#2A-K# -2 51 # 825G# %9	815	63(
Total equitB	401,097	HC6 %))
Total liabilities and equitB	633,574	DP% DPI

S## 51 7 2N2* 25G#A

O2 #+ O 5' G+# B5 @



H# G+#@R#A1 2
D-@# G5@

M- + #OK-@N
D-@# G5@

Consolidated Statements of ″ar nings and Comprehensive ″ar nings

[illegible]	52%wee(period ended March 31, 2018	[illegible]
Re?enue [illegible]	1,079,425	[illegible]
[illegible]	(604,094)	[illegible]
Gross profit	475,331	[illegible]
[illegible]	(448,909)	[illegible]
Operating profit	26,422	[illegible]
[illegible]	3,010	[illegible]
[illegible]	1,049	[illegible]
Earnings before income taAes	30,481	[illegible]
[illegible]		
[illegible]	(489)	[illegible]
[illegible]	(8,192)	[illegible]
Net earnings	21,800	[illegible]
Other comprehensi?e income [illegible]		
[illegible]		
[illegible]		
[illegible]	(2,648)	[illegible]
[illegible]		
[illegible]	3,268	[illegible]
Other comprehensi?e income	620	[illegible]
[illegible]	22,420	[illegible]
Net earnings per common share [illegible]		
[illegible]	$0.81	[illegible]
[illegible]	$0.80	[illegible]

[illegible]

Consolidated Statements of Changes in ″Auity

8G+5JA 2!A5' C 2 !- 2 !5OO @9	S+ @# C 7-G0	C52G@ JG#! SJ@7OJA	R#G -2#! E @2-2*A	A J1J0G#! OG+#@ C51 7@#+#2A-K# I2 51 #	T5G 0 E<J-GN
B 02 # A7@0I IP6D	IP3 H6%	6P (36	6I) P%3	&	H) H 33%
N#G# @2-2*A	&	&	IP 36%	&	IP 36%
EM#@-A#5' 57G52A 825G#A6(2! 6D9	(3%H	86 P6C9	&	&	) 3DD
D-@# G5@2' ! ##@#! A+ @#J2-GA 52K#G#! 825G#6(9	DCP	8DCP9	&	&	&
S+ @#, A#! 51 7#2A G52 825G#A6(2! 6D9	&	6) PP	&	&	6) PP
D-@# G5@2' 51 7#2A G52 825G#6D9	&	HDC	&	&	HDC
OG+#@ 51 7@#+#2A-K# -2 51 # 825G#%9	&	&	&	63(	63(
B 02 # A7@06 IP6C	I6(3C6	6P DC6	6) (PPC	63(	HC6 %))

B 02 # A7@06 IP6C	215,971	10,671	145,007	195	371,844
N#G# @2-2*A	–	–	21,800	–	21,800
EM#@-A#5' 57G52A 825G#A6(2! 6D9	5,883	(979)	–	–	4,904
S+ @#, A#! 51 7#2A G52 825G#A6(2! 6D9	–	1,588	–	–	1,588
D-@# G5@2' 51 7#2A G52 825G#6D9	–	341	–	–	341
OG+#@ 51 7@#+#2A-K# -2 51 # 825G#%9	–	–	–	620	620
Balance, March 31, 2018	**221,854**	**11,621**	**166,807**	**815**	**401,097**

S## 51 7 2N2* 25G#A

Consolidated Statements of Cash Flows

[illegible]	52-week period ended March 31, 2018	[illegible]
CASH FLOWS FROM OPERATING ACTIVITIES		
[illegible]	21,800	[illegible]
[illegible]		
[illegible]	19,074	[illegible]
[illegible]	7,922	[illegible]
[illegible]	–	[illegible]
[illegible]	776	[illegible]
[illegible]	1,588	[illegible]
[illegible]	341	[illegible]
[illegible]	8,192	[illegible]
[illegible]	1,037	[illegible]
[illegible]	1,042	[illegible]
[illegible]	(29,335)	[illegible]
[illegible]	10	[illegible]
[illegible]	(3,020)	[illegible]
[illegible]	–	[illegible]
[illegible]	(1,049)	[illegible]
Cash flows from operating acti?ities	**28,378**	[illegible]
CASH FLOWS FROM INVESTING ACTIVITIES		
[illegible]	(37,080)	[illegible]
[illegible]	(16,871)	[illegible]
[illegible]	40,000	[illegible]
[illegible]	1,233	[illegible]
[illegible]	2,872	[illegible]
[illegible]	(2,714)	[illegible]
Cash flows used for in?esting acti?ities	**(12,560)**	[illegible]
CASH FLOWS FROM FINANCING ACTIVITIES		
[illegible]	–	[illegible]
[illegible]	–	[illegible]
[illegible]	4,904	[illegible]
Cash flows from financing acti?ities	**4,904**	[illegible]
[illegible]	(904)	[illegible]
Net increase (decrease) in cash and cash equi?alents during the period	**19,818**	[illegible]
[illegible]	130,438	[illegible]
[illegible]	150,256	[illegible]

[illegible]

Notes to Consolidated Financial Statements

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6; CORPORATE INFORMATION

Indigo ˅ooks Music Inc. (the "Company" or "Indigo") is a corporation domiciled and incorporated under the laws of the 'r ovince of Ontario in Canada. The Company's registered office is located at 4 8 "ing Street . est, Toronto, Ontario, M5- 1L8, Canada. The consolidated financial statements of the Company comprise the Company and its wholly-owned subsidiaries, Indigo ˙esign Studio, Inc., Indigo Cultural ˙epar tment Store Inc., and //0 ˜oldings Inc. ("//0"), along with eAuity invest-ments Calendar Club of Canada Limited ' artnership ("Calendar Club") and ,nplug Meditation LLC. (",nplug"). The Company is the ultimate parent of the consolidated organiJation.

I ; NATURE OF OPERATIONS

Indigo is Canada's largest book, gift, and specialty toy retailer and was formed as a result of the August 2001 amalgamation of Chapters Inc. and Indigo ˅ooks Music Inc. The Company operates a chain of retail bookstores across all ten provinces and one territory in Canada, including 8 superstores (2017 O89) under the *ndi %* and *ha&te's* names, as well as 123 small format stores (2017 O123) under the banners *%"&s*, *ndi°%s&it*, and *he B%%!%#&an.* . Online sales are generated through the Company's digital platforms, its *indi°% a* website and the Company's mobile applications, where it sells an expanded selection of books, gifts, toys, and paper products. The Company is currently planning the opening of its first store in the ,nite d States.

The Company defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate capital resources. At Indigo, this is done on an enterprise level. This holistic managerial approach is reflected in the Company's reimagined cultural department store concept. The new store design emphasiJes a central focus on enriching the lives of book lovers with core print and general merchandise products. Therefore, the Company reports as a single segment.

The Company also has a separate registered charity, the 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, its suppliers, and its employees.

H; 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 ˅oa rd ("IAS˅") and using the accounting policies described herein.

These consolidated financial statements were approved by the Company's ˅oard of ˙ir ectors on May 29, 2018.

Fiscal Year

The fiscal year of the Company ends on the Saturday closest to March 31. ,nder 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 31, 2018 and April 1, 2017 both contained 52 weeks. The next 53-week period will be for the fiscal year ending April 3, 2021.

Use of Judgments

The preparation of the consolidated financial statements in conformity with IFRS reAuires the Company to make :udgments, 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 :udgments made by the Company. Information about :udgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues, and expenses is discussed below. Information about significant estimates is discussed in the following section.

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An impairment loss is recogniJed for the amount by which the carrying amount of an asset or a CG, exceeds its r ecoverable amount. Impairment losses are reversed if the recoverable amount of the capital asset, CG, , or group of CG,s 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 amortiJation, if no impairment loss had been recogniJed. The Company uses :udgment when identifying CG,s and when assessing for indicators of impairment or reversal.

I2G 2*- G# AA#GA

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

L# A#A

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

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The recognition of deferred tax assets is based on the Company's :udgment. The assessment of the probability of future taxable income in which deferred tax assets can be utiliJed 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 ad:usted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credits. ˙efer red tax assets are recogniJed to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses and unused tax credits can be utiliJed. Any difference between the gross deferred tax asset and the amount recogniJed is recorded on the balance sheet as a valuation allowance. If the valuation allowance decreases as a result of subseAuent events, the previously recogniJed valuation allowance will be reversed. The recognition of deferred tax assets that are sub:ect 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 reAuires 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 eAual estimates. Information about estimates that have the most significant effect on the recognition and measurement of assets, liabilities, revenues, and expenses are discussed below.

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The Company recogniJes 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 gift card breakage revenue is recogniJed 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 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, ad:usting the estimated cost per point based upon expected future activity.

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The future realiJation of the carrying amount of inventory is affected by future sales demand, inventory levels, and product Auality. 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 that will take the net realiJable 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 each reporting date 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.

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The cost of eAuity-settled transactions with counterparties is based on the Company's estimate of the fair value of share-based instruments and the number of eAuity 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.

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To determine the recoverable amount of an impaired asset, the Company estimates expected future cash flows 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 certain variables, such as future sales, gross margin rates, expenses, capital expenditures, working capital investments, and lease terms, which are based upon historical experience and expected future performance. ˙eter mining the applicable discount rate involves estimating appropriate ad:ustments to market risk and to Company-specific risk factors.

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Capital assets are depreciated and amortiJed over their useful lives, taking into account residual values where appropriate. Assessments of useful lives and residual values are performed on an ongoing basis 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 pro:ected disposal value, and future market conditions.

) ; 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. .hen the Company does not own all of the eAuity 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 are 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 acAuisition,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 unrealiJed gains and losses arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

Equity Investments

The eAuity 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 :oint control over those policies. ,nder the eAuity method, the Company's investment is initially recogniJed at cost and subseAuently increased or decreased to recogniJe 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 is recogniJed only to the extent that Indigo has incurred legal or constructive obligations or made payments on behalf of the company. The Company's share of earnings and losses of its eAuity investment are recogniJed 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 eAuity investment.

Cash and Cash Equivalents

Cash and cash eAuivalents consist of cash on hand, balances with banks, and highly liAuid investments that are readily convertible to known amounts of cash with maturities of 90 days or less at the date of acAuisition. Cash eAuivalents of fixed deposits or similar instruments with an original term of longer than three months are also included in this category if they are readily convertible to a known amount of cash throughout their term and are sub:ect to an insignificant risk of change in value assessed against the amount at inception. Cash is considered to be restricted when it is sub:ect to contingent rights of a third-party customer, vendor, or government agency.

Short-term Investments

Short-term investments consist of guaranteed investment securities with an original maturity date greater than 90 days and remaining term to maturity of less than or eAual to 3 5 days from the date of acAuisition. These investments are non-redeemable until the maturity date.

Inventories

Inventories are valued at the lower of cost, determined on a moving average cost basis, and market, being net realiJable value. Costs include all direct and reasonable expenditures that are incurred in bringing inventories to their present location and condition. Net realiJable value is the estimated selling price in the ordinary course of business. .hen 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 recogniJed in the period. - endor rebates are recorded as a reduction in the price of the products and corresponding inventories are recorded net of vendor rebates.

Prepaid Expenses

'r epaid expenses include store supplies, rent, software subscription fees, and insurance. Store supplies are expensed as they are used while other costs are amortiJed over the term of the contract.

Income Taxes

Current income taxes are the expected taxes payable or recoverable 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 differ 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 recogniJed directly in eAuity are recogniJed in eAuity and not in the consolidated statements of earnings (loss) and comprehensive earnings (loss).

˙efer red 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. ˜o wever, 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 recogniJed when neither accounting nor taxable profit or loss are affected at the time of the transaction.

˙efer red 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 utiliJed. ˙efer red 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.

˙efer red tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective periods of realiJation, provided they are enacted or substantively enacted by the end of the reporting period. ˙efer red 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.

˙efer red tax assets are recogniJed 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 utiliJed. Any difference between the gross deferred tax asset and the amount recogniJed is recorded on the consolidated balance sheets as a valuation allowance. If the valuation allowance decreases as the result of subseAuent events, the previously recogniJed valuation allowance will be reversed.

Property, Plant, and Equipment

All items of property, plant, and eAuipment are initially recogniJed 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. SubseAuent to initial recognition, property, plant, and eAuipment assets are shown at cost less accumulated depreciation and any accumulated impairment losses.

˙epr eciation 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 based on relevant market information and management considerations.

The following useful lives are applied

Furniture, fixtures, and eAuipment	5 O10 years
Computer eAuipment	3 O5 years
″Auipment under finance leases	3 O5 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 eAuipmentare assessed for impairment as detailed in the accounting policy note on impairment and are derecogniJed 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 derecogniJed.

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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 and corresponding long-term liability are recogniJed at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

˙epr eciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets that 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 liability is reduced by lease payments less interest paid. Interest payments are expensed as part of net interest on the consolidated statements of earnings (loss) and comprehensive earnings (loss) over the period of the lease.

All other leases are treated as operating leases. ' ayments on operating lease agreements are recogniJed 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 Auarterly assessments of contracts that 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 31, 2018, the Company had no such contracts.

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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 amortiJed into earnings over the lease term, with the unamortiJed portion recorded in current and long-term accounts payable and accrued liabilities. As at March 31, 2018, all of the Company's leases on premises were accounted for as operating leases. ″xpenses 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 recogniJed at cost, if acAuired separately, or at fair value, if acAuired as part of a business combination. After initial recognition, intangible assets are carried at cost less accumulated amortiJation and any accumulated impairment losses.

AmortiJation 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 amortiJed over their useful economic life. Intangible assets with indefinite lives are not amortiJed 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 Jero unless the Company expects to dispose of the asset at a value that exceeds the estimated disposal costs. The residual values, useful lives, and amortiJation 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 O5 years
Internal development costs	3 years
Retail lease	over the lease term
˙omain name	indefinite useful life Onot amortiJed

There are no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the domain name to the Company. Therefore, useful life of the domain name is deemed to be indefinite.

Intangible assets are assessed for impairment as detailed in the accounting policy note on impairment. An intangible asset is derecogniJed 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 derecogniJed.

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.hen 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 eAuipment.

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Costs that are directly attributable to internal development are recogniJed as intangible assets provided they meet the definition of an intangible asset. ˙e velopment costs not meeting these criteria are expensed as incurred. CapitaliJed 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 pro:ects.

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Amounts paid as a premium to gain access to a property located in a specific location, inclusive of any associated professional fees, are treated as an intangible asset.

Impairment Testing

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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 that can be reasonably and consistently allocated to individual stores, the store level is used as the CG, for impairment testing. For all other capital assets, the corporate level is used as the group of CG,s . Capital assets and related CG,s or g roups of CG,s are tested for impairment Auarterly and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. ″v ents or changes in circumstances that 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 recogniJed for the amount by which the carrying amount of a CG, or group of CG,s 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 CG, or group of CG,s based on the CG,' 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 CG, or group of CG,s . Capital assets and CG,s or groups of CG,s are subseAuently reassessed for indicators that a previously recogniJed impairment loss may no longer exist. An impairment loss is reversed if the recoverable amount of the capital asset, CG, , or group of CG,s 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 amortiJation, if no impairment loss had been recogniJed.

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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. ″vidence of impairment may include indications that a debtor or a group of debtors are experiencing significant financial difficulty, default, or delinAuency 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 ob:ective evidence that one or more loss events having a negative effect on future cash flows of the financial asset occur 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 recogniJed in net earnings. If the impairment loss decreases as a result of subseAuent events, the previously recogniJed impairment loss is reversed.

Assets Held for Sale

Non-current assets are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. To Aualify as assets held for sale, the sale must be highly probable, assets must be available for immediate sale in their present condition, and management must be committed to a plan to sell assets that should be expected to close within one year from the date of classification. Assets held for sale are recogniJed at the lower of their carrying amount and fair value less costs to sell and are not depreciated.

Provisions

A provision is a liability of uncertain timing or amount. 'r ovisions are recogniJed 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 reAuired to settle the obligation and a reliable estimate of the settlement can be made. The amount recogniJed as a provision is the best estimate of the consideration reAuired to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties of cash flows. .her e the effect of discounting to present value is material, provisions are ad:usted to reflect the time value of money. ″xamples of provisions include decommissioning liabilities, onerous leases, and legal claims.

Total Equity

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior period retained profits. ˙ivide nd distributions payable to eAuity shareholders are recorded as dividends payable when the dividends have been approved by the ˇoard of ˙ir ectors 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 ˇlac k-Scholes option pricing model. The ˇlac k-Scholes option pricing model is based on variables such as risk-free interest rate expected volatility expected time until exercise and expected dividend yield. ″xpected 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 recogniJed as an expense with a corresponding increase to contributed surplus over the vesting period. ″stima tes are subseAuently 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 recogniJes revenue when the substantial risks and rewards of ownership pass to the customer. Revenue is measured at the fair value of the 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 recogniJed 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.

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

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Revenue for online and kiosk customers is recogniJed when the product is shipped.

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

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The Company sells gift cards to its customers and recogniJes the revenue as gift cards are redeemed. The Company also recogniJes 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 recogniJed 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).

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

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'lum is a free program that allows members to earn points on their purchases in the Company's stores and on the *indi°%a* website. Members can then redeem points for discounts on future purchases of merchandise in stores and online.

.hen 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 recogniJed at the time of purchase. Revenue attributed to the points is recorded as deferred revenue and recogniJed 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, ad:usting the estimated cost per point based upon expected future activity. ' oints revenue is included as part of total revenue in the Company's consolidated statements of earnings (loss) and comprehensive earnings (loss).

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Interest income is reported on an accrual basis using the effective interest method and included as part of net interest in the Company's consolidated statements of earnings (loss) and comprehensive earnings (loss).

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 sales and related inventories when recogniJed 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, selling, and administrative expenses.

Earnings per Share

ˇasic 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. ˙iluted 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 eAuiv-alents 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 recogniJed when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecogniJed 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 derecogniJed when it is extinguished, discharged, cancelled, or expires. . here a legally enforceable right to offset exists for recogniJed financial assets and financial liabilities and there is an intention to settle the liability and realiJe 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 recogniJed at fair value.

After initial recognition, financial instruments are subseAuently measured as follows

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(i) Loans and receivables OThese are non-derivative financial assets with fixed or determinable payments that are not Auoted in an active market. These assets are measured at amortiJed cost, less impairment charges, using the effective interest method. Gains and losses are recogniJed in earnings through the amortiJation process or when the assets are derecogniJed.

(ii) Financial assets at fair value through profit or loss OThese assets are held for trading if acAuired 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 recogniJed in earnings. ˙er ivatives are classified as fair value through profit or loss unless they are designated as effective hedging instruments.

(iii) ˜eld-to-ma turity investments OThese are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends, and is able, to hold until maturity. These assets are measured at amortiJed cost, less impairment charges, using the effective interest method. Gains and losses are recogniJed in earnings through the amortiJation process or when the assets are derecogniJed.

(iv) Available-for-sale financial assets OThese are non-derivative financial assets that are either designated to this category upon initial recognition or do not Aualify for inclusion in any of the other categories. These assets are measured at fair value, with unrealiJed gains and losses recogniJed in other comprehensive income until the asset is derecogniJed or determined to be impaired. If the asset is derecogniJed or determined to be impaired, the cumulative gain or loss previously reported in accumulated other comprehensive income is included in earnings.

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(i) Other liabilities OThese liabilities are measured at amortiJed cost using the effective interest rate method. Gains and losses are recogniJed in earnings through the amortiJation process or when the liabilities are derecogniJed.
(ii) Financial liabilities at fair value through profit or loss OThese liabilities are held for trading if acAuired 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 recogniJed 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 eAuivalents	Loans and receivables	AmortiJed cost
Short-term investments	˜eld-to-ma turity	AmortiJed cost
Accounts receivable	Loans and receivables	AmortiJed cost
Accounts payable and accrued liabilities	Other liabilities	AmortiJed cost
˙er ivative instruments	Fair value through profit or loss	Fair value

All other consolidated balance sheet accounts are not considered financial instruments.

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

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

The following methods and assumptions were used to estimate the fair value of each type of financial instrument by reference to market data and other valuation techniAues, as appropriate

(i) The initial fair values of cash and cash eAuivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values given their short maturities
(ii) The initial fair value of long-term debt, if any, 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. These instruments are subseAuently measured at amortiJed cost and
(iii) The fair value of derivative financial instruments are estimated using Auoted market rates at the measurement date ad:usted for the maturity term of each instrument. ˙er ivative financial instruments are classified as Level 2 in the fair value hierarchy.

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The Company enters into various derivative financial instruments as part of its strategy to manage foreign currency exposure. All contracts entered into during the year have been designated as cash flow hedges for accounting purposes. The Company does not hold or issue derivative financial instruments for trading purposes.

All derivative financial instruments, including derivatives embedded in financial or non-financial contracts not closely related to the host contracts, are measured at fair value. The gain or loss that results from remeasurement at each reporting period is recogniJed in net income immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in net income depends on the nature of the hedge relationship.

At the inception of a hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item along with the Company's risk management ob:ectives and strategy for undertaking various hedge transactions. Furthermore, at inception and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Accordingly, the effective portion of the change in the fair value of the foreign exchange forward contracts that are designated and Aualify as cash flow hedges is recogniJed in other comprehensive income (loss) until related payments have been made in future accounting periods. Associated gains and losses recogniJed in other comprehensive income (loss) are reclassified to earnings in the periods when the hedged item is recogniJed in earnings. These earnings are included within the same line of the consolidated statement of earnings (loss) as the recogniJed item. ˜o wever, when the hedged forecast transaction results in the recognition of a non-financial asset, the gains and losses previously recogniJed in other comprehensive income (loss) are transferred from eAuity and included in the initial measurement of the cost of the non-financial asset. The gain or loss relating to the ineffective portion is recogniJed immediately in the consolidated statements of earnings (loss).

Retirement Benefits

The Company provides retirement benefits through a defined contribution retirement plan. ,nder 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 that 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 2018

SGG#1 #2G5' C A+FC5L A 8-IAS C>9

In !anuary 201 , the IASˇ issued amendments to IAS 7 as part of the IASˇ's ˙isclosur e Initiative. These amendments reAuire entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The Company applied this standard beginning April 2, 2017. Adopting these amendments did not have a significant impact on the Company's results of operations, financial position, or disclosures.

(; NE ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASˇ issued IFRS 15, a new standard that specifies how and when to recogniJe revenue as well as reAuiring 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 retrospectively using either the retrospective or cumulative effect method for annual reporting periods beginning on or after !anuary 1, 2018. The Company plans to apply this standard using the retrospective transition method beginning April 1, 2018.

Implementation of IFRS 15 is expected to impact the allocation of deferred plum program revenue. Revenue is currently allocated to plum points using the residual fair value method. ,nder IFRS 15, revenue will be allocated based on relative standalone selling prices between plum points and the goods on which points were earned. The implementation of the standard is not expected to have a material Auantitative impact on the consolidated financial statements. The Company is currently evaluating the effects of disclosure reAuirements of IFRS 15 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

Financial Instruments ("IFRS 9")

In !uly 2014, the IASˇ issued the final version of IFRS 9, which reflects all phases of the financial instruments pro:ect and replaces IAS 39, "Financial Instruments Recognition and Measurement," and all previous versions of IFRS 9. The standard introduces new reAuirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after !anuary 1, 2018. The Company plans to apply this standard beginning on April 1, 2018. IFRS 9 more closely aligns hedge accounting with risk management activities and applies a more Aualitative and forward-looking approach to assessing hedge effectiveness. The Company has determined that the adoption of IFRS 9 will not have a significant impact on its consolidated financial results. The Company is currently evaluating the effects of the disclosure reAuirements of IFRS 9 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

Leases ("IFRS 16")

In !anuary 201 , the IASˇ issued IFRS 1 , which supersedes existing standards and interpretations under IAS 17, "Leases." IFRS 1 introduces a single lessee accounting model, eliminating the distinction between operating and finance leases. The new lessee accounting model reAuires substantially all leases to be reported on a company's balance sheet and will provide greater transparency on companies' leased assets and liabilities. IFRS 1 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. .hile the Company is still assessing the impact of adopting this standard on its consolidated financial statements, the recognition of certain leases is expected to have a material impact on the Company's Consolidated ˇalance Sheets.

The new standard will apply for annual periods beginning on or after !anuary 1, 2019. The Company plans to apply this standard beginning March 31, 2019. For leases where the Company is the lessee, it has the option of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 1 . The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the standard.

D; CASH CASH E UIVALENTS AND SHORT,TERM INVESTMENTS

Cash and cash eAuivalents consist of the following

8G+5JA 2!A5' C 2 !- 2 !500 @9	March 31, 2018	A7@06 I P6C
C A+	67,709	DH %CI
R#AG@G#! A+	2,093	6 H) H
C A+ #<J-K G#2GA	80,454	D(I I H
Cash and cash equi?alents	**150,256**	6HP) H%

Restricted cash represents cash pledged as collateral for letter of credit obligations issued to support the Company's purchases of offshore merchandise and cash placed in escrow for asset acAuisitions that have occurred during the fiscal year.

As at March 31, 2018, the Company held short-term investments of $ 0.0 million (April 1, 2017 O $100.0 million). Short-term investments consist of guaranteed investment securities with an original maturity date greater than 90 days and remaining term to maturity of less than or eAual to 3 5 days from the date of acAuisition. These investments are non-redeemable until the maturity date, and therefore they are classified separately from cash and cash eAuivalents.

C; INVENTORIES

The cost of inventories recogniJed as an expense was $ 03.1 million in fiscal 2018 (2017 O $571.9 million). Inventories consist of the landed cost of goods sold and exclude inventory shrink and damage reserve, and all vendor support programs. The amount of inventory write-downs as a result of net realiJable value lower than cost was $9.7 million in fiscal 2018 (2017 O $9.0 million). The amount of inventory with net realiJable value eAual to cost was $3. million as at March 31, 2018 (April 1, 2017 O $2.8 million).

%; DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, such as foreign exchange forward contracts, to manage the currency fluctuation risk associated with forecasted , .S. dollar payments, primarily for general merchandise inventory purchases. These contracts have been designated as cash flow hedges for accounting purposes. The fair values of derivative financial instruments are determined based on observable market information as well as valuations determined by external valuators with experience in financial markets.

˙ur ing the fiscal year ended March 31, 2018, the Company entered into forward contracts with total notional amounts of C$137.9 million to buy , .S. dollars and sell Canadian dollars (April 1, 2017 O C$173.4 million). As at March 31, 2018, the Company had remaining contracts in place representing a total notional amount of C$79.2 million (April 1, 2017 O C$70.3 million). These contracts extend over a period not exceeding 12 months.

The total fair value of the contracts as at March 31, 2018 resulted in the recognition of a derivative asset of $1.4 million (April 1, 2017 O $0.3 million), and a derivative liability of $0.3 million (April 1, 2017 Ono derivative liability). As a result, the Company had an unrealiJed net gain of $1.1 million (April 1, 2017 O $0.3 million net gain) recogniJed as other comprehensive income.

˙ur ing the fiscal year ended March 31, 2018, a net loss of $3.3 million from settled contracts (April 1, 2017 Onet gain of $1.2 million) was reclassified from other comprehensive income to inventory and expenses.

˙ur ing the fiscal year ended March 31, 2018, reclassified amounts resulting from hedge ineffectiveness were immaterial (April 1, 2017 O immaterial).

3; PROPERTY PLANT AND E UIPMENT

8G+5JA 2!A5' C 2 !- 2 !5O0 @9	FJ@2-GI@# '-MGI@A 2! #<J-71 #2G	C51 7JG#@ #<J-71 #2G	L# A#+50 -1 7@5K#1 #2GA	E<J-71 #2G J2! #@-2 2 # 0# A#A	T5G 0
Gross carrBing amount					
B 0 2 # A7@0I I P6D	D%6)P	6I 6I C	(H 3C6	DP6	6H)%H3
A!!-G52A	3(3D	H 6I H	C %(3	&	I P(C%
T@2A'#@E@# 0 AA'- G52A	&	86 PHI 9	33C	&	8H(9
D-A75A 0A	8I %9	86C9	869	8)D(9	8(669
AA#GA L-G+ O#5 2#G 55/ K OI#	8)3(P9	8I PH%9	8D 3H69	&	86H 3639
T@2A'#@#! G5 AA#GA +#0 '5@A 0#	836)9	8I 9	8(P69	&	86)6C9
B 0 2 # A7@06 I P6C	C6 %))	6I 6D6	((H3)	6HD	6H3(H(
A!!-G52A	16,726	6,439	13,915	–	37,080
D-A75A 0A	(1,534)	(133)	(362)	(136)	(2,165)
AA#GA L-G+ O#5 2#G 55/ K OI#	(3,825)	(1,924)	(4,446)	–	(10,195)
Balance, March 31, 2018	83,211	16,543	64,501	–	164,255
Accumulated depreciation and impairment					
B 0 2 # A7@0I I P6D	H)C3H	(D3H	HI %)H	(HC	CH %DD
D#7@#- G52	D %DC	I 6%I	C(PI	D6	6D D6I
D-A75A 0A	8I I 9	8H9	869	8)D(9	8)369
N#G-1 7 -@ #2G 5AA#A 8@#K#@A 0A9	8H%)9	8)9	8(C(9	&	83DH9
AA#GA L-G+ O#5 2#G 55/ K OI#	8)3(P9	8I PH%9	8D 3H69	&	86H 3639
T@2A'#@#! G5 AA#GA +#0 '5@A 0#	8)HP9	869	8I 6C9	&	8D)%9
B 0 2 # A7@06 I P6C	H(%C)	(%I 3	HI DI 6	6HH	C))(C
D#7@#- G52	7,551	2,458	9,062	3	19,074
D-A75A 0A	(872)	(73)	(314)	(136)	(1,395)
AA#GA L-G+ O#5 2#G 55/ K OI#	(3,825)	(1,924)	(4,446)	–	(10,195)
Balance, March 31, 2018	38,728	6,290	36,923	–	81,941
Net carrBing amount					
A7@06 I P6C	H(3CP	D HHI	I I CCH	H	D(PC%
March 31, 2018	44,483	10,253	27,578	–	82,314

'r operty, plant and eAuipment are assessed for impairment at the CG, level, except for those assets which are considered to be corporate assets. As certain corporate assets cannot be allocated on a reasonable and consistent basis to individual CG,s, they are tested for impairment at the corporate level.

A CG, 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. CG,s and groups of CG,s are tested for impairment if impairment indicators exist at the reporting date. Recoverable amounts for CG,s being tested are based on value in use, which is calculated from discounted cash flow pro:ections. For stores that are at risk of closure, cash flows are pro:ected 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 pro:ected using a terminal value calculation. Corporate asset testing calculates discounted cash flow pro:ections over a five-year period plus a terminal value.

Impairment indicators were identified during fiscal 2018 for certain retail stores. Accordingly, the Company performed testing which did not result in impairment losses or reversals in fiscal 2018 (2017 O $1.0 million impairment reversal). All impairments and reversals are recorded as part of operating, selling, and administrative expenses in the consolidated statements of earnings and comprehensive earnings.

6P; INTANGIBLE ASSETS

8G+5JA 2!A5' C 2 !- 2 !5O0 @A9	C51 7JG#@ 77O G52 A5'GL @#	I2G#@ 0 ! #K#O571 #2G 5AGA	D51 -2 2 1 #	R#G -0 O# A#	T5G 0
Gross carrBing amount					
B 0 2 # A7@0I I P6D	6C %6C	6H) I P	C(	&	H6 H6I
A! ! -G52A	D C36	H I DH	&	&	6P P( )
T@2A' #@E@# 0 AA'- G52A	H(	&	&	&	H(
D-A75A 0A	8I PI H9	8%6) 9	&	&	8I %HC9
AAA#GA L -G+ O#@5 2#G 55/ K 0J #	8(CHH9	8) PI H9	&	&	83 C(D9
B 0 2 # A7@06 I P6C	6D %%C	66 %) D	C(	&	I % %P%
A! ! -G52A	7,073	5,204	3,387	1,207	16,871
T@2A' #@E@# 0 AA'- G52A	–	–	–	–	–
D-A75A 0A	(6)	–	–	–	(6)
AAA#GA L -G+ O#@5 2#G 55/ K 0J #	(3,732)	(3,821)	–	–	(7,553)
Balance, March 31, 2018	**20,222**	**13,229**	**3,462**	**1,207**	**38,120**
Accumulated amortiCation and impairment					
B 0 2 # A7@0I I P6D	%(I P	D I %D	&	&	6) %PD
A1 5@G0 G52	) (D%	) PP(	&	&	%(CH
D-A75A 0A	869	8%D9	&	&	8%C9
AAA#GA L -G+ O#@5 2#G 55/ K 0J #	8(CHH9	8) PI H9	&	&	83 C(D9
B 0 2 # A7@06 I P6C	C H( )	D 6%I	&	&	6H (HD
A1 5@G0 G52	4,326	3,575	–	21	7,922
D-A75A 0A	–	–	–	–	–
AAA#GA L -G+ O#@5 2#G 55/ K 0J #	(3,732)	(3,821)	–	–	(7,553)
Balance, March 31, 2018	**7,948**	**5,936**	**–**	**21**	**13,905**
Net carrBing amount					
A7@06 I P6C	3 (HH	(DD)	C(	&	6(I CI
March 31, 2018	**12,274**	**7,293**	**3,462**	**1,186**	**24,215**

The useful life of the domain names have been deemed to be indefinite because there are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful lives of these assets to the Company.

Impairment testing for intangible assets is performed using the same methodology, CG,s, and groups of CG,s as those used for property, plant and eAuipment.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 eAuipment testing. Impairment indicators were identified during fiscal 2018 for Indigo's retail stores. Accordingly, the Company performed impairment testing but there were no intangible asset impairment losses or reversals for retail stores in fiscal 2018 (2017 Ono impairment losses or reversals). All impairments and reversals are recorded as part of operating, selling, and administrative expenses in the consolidated statements of earnings and comprehensive earnings.

66; ASSETS HELD FOR SALE

On April 28, 2017, the Company entered into an agreement with Starbucks Coffee Canada Inc. (“Starbucks”) whereby, among other things, the Company and Starbucks mutually agreed to terminate the Company’s license to operate Starbucks-branded cafLs within 11 retail locations.

ˇased on the terms of the agreement, the Company agreed to transfer to Starbucks the cafL inventories and capital assets from the terminated licensed locations, and the Company classified these inventories and capital assets as assets held for sale. SubseAuent to the transfer, the Company has subleased space in each of the previously licensed locations for Starbucks to operate corporate-run cafLs, similar to the 70 other Starbucks-branded cafLs Starbucks operates in the Company’s retail locations. The transfer and subseAuent subleasing were completed on May 1, 2017.

6I ; INCOME TA ES

˙efer red tax assets are recogniJed 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 utiliJed. As at March 31, 2018, the Company has recorded $35. million in gross value of deferred tax assets (April 1, 2017 O $44.0 million gross value of deferred tax assets).

˙efer red 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

8G+5JA 2! A5' C 2 ! - 2 ! 50 @A9	March 31, 2018	A7@06 I P6C
R#A#@K#A 2! 05L 2 #A	761	6 HC6
T M05AA @N5@ @A	17,400	I I I) H
C5@75@G# 1 -2-1 J 1 G M @#! -G	3,374	I %C6
B55/ 1 5@O G52 -2 #M #AA 5' 7-G 0 5AG 05L 2 #	14,326	6C (DC
C A+ ' 05L +#! *#A	(298)	8C69
Total deferred taA assets	**35,563**	) H 3%6

Significant components of income tax expense are as follows

8G+5JA 2! A5' C 2 ! - 2 ! 50 @A9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
CJ @#2G-2 51 # G M#M7#2A#	512	HDP
A! .JAG1 #2G'5@7@5@7#@5! A	(23)	8I (9
	489	HH(
D# #@#! -2 51 # G M#M7#2A# 8@# 5K#@N9		
O@*-2 G52 2! @#K#@ 05' G#1 75@@N! -'' #@#2 #A	2,136	D 663
D# #@#! -2 51 # G M#M7#2A# @#0 G2* G5 J G-0 G52 5' 05AA @N5@ @A	6,087	6 D) 3
A! .JAG1 #2GG5 'JGJ @#-2 51 # G M AA#GA @#AJ 0G2* '@51 + 2*#-2		
AJ AG 2GK#0N #2 G#! G M@G#A 2! #M7# G#! 7 G#@2 5' @#K#@ 0	(201)	H%
OG+#@2#G	170	8I I 9
	8,192	C C%)
Total income taA eApense	**8,681**	%663

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

8G+5JA 2!A5' C 2 !-2 !50 @9	52%wee(period ended March 31, 2018	%	(I ,L ## 7#@5! #2! #! A7@06 I P6C	:
E @2-2*A #5@#-2 51 # G M#A	30,481		I 3 PHC	
T M G 51 -2#! '#! #@0 2! 7@5K-2 - 0G M@G#A	8,156	26.8%	C CC6	I D;%a
T M#'# G5' #M7#2A#A 25G! #! J G 0# '5@2 51 # G M7J@5A#A	644	2.1%	(%C	I ;P:
A! .JAG1 #2GG5 'JG @#-2 51 # G M A#GA @#AJ 0G2* '@51 @#! J G52 -2 AJ AG 2GK#0N #2 G#! G M@G#A 2! #M7# G#! 7 GG#@2 5' @#K#@ 0	(201)	(0.7%)	H%	P;6:
0G+#@2#G	82	0.3%	8 CC9	86;P: 9
	8,681	28.5%	%663	I C;3:

As at March 31, 2018, the Company has non-capital loss carryforwards of approximately $ 4.8 million for income tax purposes that expire in 2031 if not utiliJed.

6H; PROVISIONS

'r ovisions consist primarily of amounts recorded in respect of decommissioning liabilities, onerous lease arrangements, and legal claims. The Company is sub:ect 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. Legal claim provisions fluctuate depending on the outcomes when claims are settled.

Activity related to the Company's provisions is as follows

8G+5JA 2!A5' C 2 !-2 !50 @9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
B 0 2 # #*-22-2* 5' 7#@5!	161	6) H
C+ @#!	75	%(
UG0#! E@#0# A#!	(25)	8DC9
Balance, end of period	211	6D6

The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be reAuired to settle the obligation. 'r ovisions are reviewed on an ongoing basis and are ad:usted accordingly when new facts and events become known to the Company.

6) ; COMMITMENTS AND CONTINGENCIES

(a) Commitments

As at March 31, 2018, the Company had operating lease commitments in respect of its stores, support office premises, and certain eAuipment.The Company also had operating lease commitments related to the future relocation of its corporate home office. The leases expire at various dates between calendar 2018 and 2034, and may be sub:ect 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. The Company's expected sublease income in the next five fiscal years and thereafter is as follows

81-0052A5' C 2!-2!500@9	T5G0
L#AAG+26N#@	);(
6,(N#@A	6I;6
A'G#@(N#@A	6P;6
T5G0	ID;C

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

81-0052A5' C 2!-2!500@9	T5G0
IP63	D%;I
IPIP	(H;)
IPI6	)H;)
IPII	)P;P
IPIH	I%;6
T+#@#'G#@	6H(;3
T5G05 0* G52A	HD3;P

(b) Legal Claims

In the normal course of business, the Company becomes involved in various claims and litigation. .hile the final outcome of such claims and litigation pending as at March 31, 2018 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 that have been recorded as provisions on the Company's consolidated balance sheets.

6(; SHARE CAPITAL

Share capital consists of the following

AuthoriCed

U2011-G#! C0AAA 7@##@2 #A+ @#AL-G+25 7 @K 0# K5G2* 52K#@ 0#-2G5
51152A+ @#A52 52#;'5@52# AA GG+#57G52 5' G+#A+ @#+501#@

U2011-G#! 51152A+ @#A K5G2*

	52%wee(period ended March 31, 2018		(I,L## 7#@5! #2!#! A7@06 IP6C	
	Number of shares	Amount C$ (thousands)	NJ1 #@5' A+ @#A	A15J2G C" 8G+5JA 2!A9
B 02# #*-22-2* 5' 7#@5!	26,351,484	215,971	I(C3C H(6	IP3 H6%
IAAJ#! !J@2* G+# 7#@5!				
D-@# 05@A?!##@#! A+ @#J2-GA 52K#@G#!	–	–	DC 6P%	DCP
O7G52A #M#@-A#!	449,125	5,883	)%C PI(	(3%H
Balance, end of period	26,800,609	221,854	IDH(6)%)	I6(3C6

6D; SHARE,BASED COMPENSATION

The Company has established an employee stock option plan (the "'lan") for key employees. The number of common shares reserved for issuance under the 'lan as at March 31, 2018 is 3,520,091. 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 eAual installments on the anniversary date over the next four years. SubseAuently, 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 eAual installments on the anniversary date over the next two years. A small number of options have special vesting schedules that were approved by the ˅oa rd. ″a ch option is exercisable into one common share of the Company at the price specified in the terms of the option agreement.

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. ˙ur ing fiscal 2018, the pre-forfeiture value of the options granted was $2.7 million (2017 O$2.8 million). The weighted average fair value of options issued in fiscal 2018 was $3.7 per option (2017 O$4.19 per option).

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

	52%wee(period ended March 31, 2018	(I ,L ### 7#@5! #2! #. A7@06 I P6C
Blac(%Scholes option pricing assumptions		
R-A/,'@##-2G#@#AG@G#	1.3%	P;D:
EM7# G#! K50 G0G0N	31.4%	HH;%
EM7# G#! G1 # J2G0#M#@-A#	3.0 Bears	H;P N# @@
EM7# G#! !-K-! #2! N-#0	–	&
Other assumptions		
F5@#-G1@##@G#	27.1%	I C;H:

A summary of the status of the 'lan and changes during both periods is presented below

	52%wee(period ended March 31, 2018		(I ,L ### 7#@5! #2! #. A7@06 I P6C	
	Number -	eighted a?erage eAercise price C$	NJ1 #@ 4	#*+G#! K#@*# #M#@-A# 7@# C"
OJG@G 2!-2* 57G52A #*-22-2* 5' 7#@5!	1,663,925	12.60	6 C(6 %PP	6P;PC
G@2G#!	715,000	16.50	D(C PPP	6C;3)
F5@#-G#!	(138,425)	16.14	8 (C %(P9	6H;(P
EM7-@#!	(2,500)	8.00	&	&
EM#@-A#!	(449,125)	10.74	8) %C PI (9	6P;I P
Outstanding options, end of period	1,788,875	14.36	6 DDH 3I (	6I ;DP
Options eAercisable, end of period	692,630	11.41	CH) 3PP	3;D%

A summary of options outstanding and exercisable is presented below

R 2*#5' #M#@-A#7@#A C"	March 31, 2018				
	Outstanding			EAercisable	
	Number -	eighted a?erage eAercise price C$	eighted a?erage remaining contractual life (in Bears)	Number -	eighted a?erage eAercise price C$
%;6I &6P;I %	433,625	9.18	1.6	330,500	8.90
6P;I 3 &6(;D6	233,350	10.93	1.5	213,550	10.77
6(;DI &6D;H(	525,000	16.00	4.4	–	–
6D;HD &6%;I P	446,900	17.91	3.4	148,580	17.91
6%;I 6 &6%;) P	150,000	18.40	4.6	–	–
%;6I &6%;) P	1,788,875	14.36	3.1	692,630	11.41

Directors' Compensation

The Company has established a ˙ir ectors' ˙efer red Share ,nit 'lan ("˙S, 'lan"). ,nder the ˙S, 'lan, ˙ir ectors annually elect whether to receive their annual retainer fees and other ˇoard-r elated compensation in the form of deferred share units ("˙S,s") or receive up to 50 of this compensation in cash. All fiscal 2018 ˙ir ectors' compensation was in the form of ˙S,s (2017 Oall ˙S,s).

The number of shares reserved for issuance under this plan is 500,000. The Company issued 20,100 ˙S,s with a value of $0.3 million during fiscal 2018 (2017 O$21,788 ˙S,s with a value of $0.4 million). The number of ˙S,s to be issued to each ˙ir ector is based on a set fee schedule. The grant date fair value of the outstanding ˙S,s as at March 31, 2018 was $3.8 million (April 1, 2017 O$3.5 million) and was recorded in contributed surplus. The fair value of ˙S,s is eAual to the traded price of the Company's common shares on the grant date.

6C; SUPPLEMENTARY OPERATING INFORMATION

Supplemental product line revenue information

8G+5JA 2!A5' C 2 !- 2 !50 @9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
P@2G5	593,085	(3%6PC
G#2#@01 #@+ 2! -A#I	449,229	H%) P3C
#R# ! -2* H	10,126	6I (6P
OG+#@	26,985	I (6H6
T5G0	1,079,425	6 P63 %) (

6 I2 0J!#A 55/A 1 * O-2#A 2#LA7 7#@ 2! A+77-2* @#K#2J#;
I I2 0J!#A 0'#AGN0# 7 7#@G5NA #0# G52- A 2! A+77-2* @#K#2J#;
H I2 0J!#A #R# ! #@ #R# ! #@ #AA5@#A K5 5 @#K#2J# A+ @# 2! A+77-2* @#K#2J#;
) I2 0J!#A '$A -@#L @A *-'G @ @# / *# 70J1 @# / *# 2! 5@75@G#A 0#A;

Supplemental operating and administrative expenses information

8G+5JA 2!A5' C 2 !- 2 !50 @9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
*#A A 0@#A 2! 52JA#A	190,468	6%P %3H
S+5@G#@ #2#-GA #M7#2A#	20,097	63)))
T#@-2 G52 #2#-GA #M7#2A#	4,049	I 3I I
R#G@#1 #2G #2#-GA #M7#2A#	1,723	6 (C(
S+ @#, A#! 51 7#2A G52	1,588	6) PP
Total emploBee benefits eApense	**217,925**	I PD I H)

Termination benefits arise when the Company terminates certain employment agreements.

Minimum lease payments recogniJed as an expense during fiscal 2018 were $ 2.5 million (2017 O $ 0.4 million). Contingent rents recogniJed as an expense during fiscal 2018 were $2.0 million (2017 O $1. million).

6%; EARNINGS PER SHARE

"a rnings per share is calculated based on the weighted average number of 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 ad:ustment to net earnings. The reconciliation of the denominator in calculating diluted earnings per share amounts for the periods presented is as follows

	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
#*+G#! K#@*#2J1 #@5' 51 1 52 A+ @#A 5JGAG 2!-2* A-	26,849,418	I D H%) CC(
E''# G5' !-OJGK#A# J@G#A & AG5 / 57G52A	404,569	(DD HH3
#*+G#! K#@*#2J1 #@5' 51 1 52 A+ @#A 5JGAG 2!-2* !-OJG#!	27,253,987	I D 3(6 66)

As at March 31, 2018, 1,121,900 (April 1, 2017 O552,000) anti-dilutive stock options were excluded from the computation of diluted net earnings per common share.

63; CONSOLIDATED STATEMENTS OF CASH FLO S

Supplemental cash flow information

8G+5JA 2!A5' C 2 !- 2 !50 @9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
A 5J2GA @# #K 0#	701	I 6(
I2K#2G5@#A	(33,010)	86H C%%9
I2 51 # G M#A @# 5K#@ 0#	–	8I D9
P@#7 -! #M7#2A#A	7,582	8) 6D9
A 5J2GA 7 N 0# 2! @#! 0 -0G#A 8 J @@#2G 2! 052*,G#@ 9	5,773	8I DPD9
U2@#! ##1 #! *-'G @ 0 -0GN	(6,178)	8(CH9
P@5K-A-52A 8 J @@#2G 2! 052*,G#@ 9	50	6%
I2 51 # G M7 N 0#	(208)	HDP
D# #@@#! @#K#2J #	(4,045)	8H%P9
Net change in non%cash wor(ing capital balances	(29,335)	86C 63D9

I P; CAPITAL MANAGEMENT

The Company's main ob:ectives when managing capital are

- M'nsur ing sufficient liAuidity to support financial obligations and to execute operating and strategic ob:ectives
- MMaintaining financial capacity and flexibility through access to capital to support future development of the business and
- MMinimiJing the cost of capital while taking into consideration current and future industry, market, and economic risks and conditions.

There were no changes to these ob:ectives during the year. The primary activities engaged by the Company to generate attractive returns for shareholders include transforming physical and digital platforms and driving productivity improvement through investments in information technology and distribution to support the Company's sales networks. The Company's main sources of capital are its current cash position, short-term investments, and cash flows generated from operations. Cash flow is primarily used to fund working capital needs and capital expenditures. The Company manages its capital structure in accordance with changes in economic conditions.

I 6; 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 liAuidity.

Foreign Exchange Risk

The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and , .S. dollars. ˙ecr eases in the value of the Canadian dollar relative to the , .S. dollar could negatively impact net earnings since the purchase price of some of the Company's products are negotiated with vendors in , .S. dollars, while the retail price to customers is set in Canadian dollars. In particular, a significant amount of the Company's general merchandise inventory purchases is denominated in , .S. dollars. The Company also has a New /ork office that incurs , .S. dollar expenses.

The Company uses derivative instruments in the form of forward contracts to manage its exposure to fluctuations in , .S. dollar exchange rates. As the Company has hedged a significant portion of the cost of its near-term forecasted , .S. dollar purchases, a change in foreign currency rates will not impact that portion of the cost of those purchases.

In fiscal 2018, the effect of foreign currency translation on net earnings was a loss of $0.8 million (2017 O gain of $0.2 million).

Interest Rate Risk

The Company's interest income is sensitive to fluctuations in Canadian interest rates, which affect the interest earned on the Company's cash, cash eAuivalents, and short-term investments. The Company has minimal interest rate risk and does not use any interest rate swaps to manage its risk. The Company does not currently have any debt.

Credit Risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. Credit risk primarily arises from accounts receivable, cash and cash eAuivalents, short-term investments, and derivative financial instruments. Fair values of financial instruments reflect the credit risk of the Company and counterparties when appropriate.

Accounts receivable primarily consist 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 are closely monitored.

The Company limits its exposure to counterparty credit risk related to cash and cash eAuivalents, short-term investments, and derivative financial instruments by transacting only with highly-rated financial institutions and other counterparties, and by managing within specific limits for credit exposure and term to maturity. The Company's maximum credit risk exposure if all counterparties default concurrently is eAuivalent to the carrying amounts of accounts receivable, cash and cash eAuivalents, short-term investments, and derivative financial instruments.

Liquidity Risk

LiAuidity risk is the risk that the Company will be unable to meet its obligations relating to its financial liabilities. The Company manages liAuidity 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 reAuirements as they arise.

The contractual maturities of the Company's current and long-term liabilities as at March 31, 2018 are as follows

8G+5JA 2!A 5' C 2 ! - 2 ! 5O @A9	P N1 #2GA !J#-2 G+# 2#NG3P ! NA	P N1 #2GA !J# #GL##2 3P ! NA 2! G#AA G+ 2 N# @	P N1 #2GA !J# 'G#@ 6 N# @	T5G 0
A 5J2GA 7 N G# 2! @D#! G -GG#A	6) % D6D	I C C%%	C(	6CD) C3
U2@#! ##1 #! *-'G @ G -GGN	)) I 6%	&	&	)) I 6%
P@5K-A-52A	D	6DP	&	6DD
L52*,G#@ @D#! G -GG#A	&	&	I I %H	I I %H
L52*,G#@ 7@5K-A-52A	&	&	) (	) (
Total	63I %) P	I C 3) %	I) PH	I I H 636

I I ; E UITY INVESTMENTS

The Company holds a 50 eAuity ownership in its associate, Calendar Club, which operates seasonal kiosks and year-round stores in Canada. The Company uses the eAuity method of accounting to record Calendar Club results. In fiscal 2018, the Company received $1.2 million (2017 O $1.2 million) of distributions from Calendar Club.

In the first Auarter fiscal 2018, the Company invested in ,nplug , a , .S. meditation studio, resulting in a 20 voting interest and representation on the board of managers. The Company uses the eAuity method of accounting to record ,nplug results. The Company did not receive a distribution from ,nplug during the period.

Changes in the carrying amount of Calendar Club were as follows

8G+5JA 2! A 5' C 2 ! - 2 ! 5O0 @A9	C @AN2* K O#
B 0 2 # A7@0I I P6D	6) I 6
E<J-GN-2 51 #'@51 C O#2! @CO	6 D6C
D-AG@ JG52A'@51 C O#2! @CO	86 I H%9
B 0 2 # A7@06 I P6C	6 %PP
E<J-GNI2 51 #'@51 C O#2! @CO	1,087
D-AG@ JG52A'@51 C O#2! @CO	(1,233)
Balance March 31, 2018	**1,654**

Changes in the carrying amount of ,nplug were as follows

8G+5JA 2! A 5' C 2 ! - 2 ! 5O0 @A9	C @AN2* K O#
B 0 2 # A7@06 I P6C	&
I2K#AG1 #2G-2 U27OJ*	2,714
E<J-GNL5AA'@51 U27OJ*	(38)
Balance March 31, 2018	**2,676**

I H; RELATED PARTY TRANSACTIONS

The Company's related parties include its key management personnel, shareholders, defined contribution retirement plan, eAuity investments in associates, and subsidiaries. ,nless 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

" ey management of the Company includes members of the ˇoard of ˙ir ectors as well as members of the ″x ecutive Committee. " ey management personnel remuneration includes the following

8G+5JA 2! A 5' C 2 ! - 2 ! 5O0 @A9	52%wee(period ended March 31, 2018	(I ,L ## 7#@5! #2! #! A7@06 I P6C
*#A A 0 @#A 2! 52JA	7,653	C CHH
S+5@GG#@ #2#-GA #M7#2A#	168	I HH
T#@ -2 G52 #2#-GA #M7#2A#	–	) I)
R#G@#1 #2G #2#-GA #M7#2A#	56	D6
S+ @#; A#! 51 7#2A G52	986	%HH
D-@# G5@A? 51 7#2A G52	341	HDC
Total remuneration	**9,204**	3 D(6

Transactions with Shareholders

˙ur ing fiscal 2018, the Company purchased goods and services from companies in which Mr. Gerald . . SchwartJ, who is the controlling shareholder of Indigo, holds a controlling or significant interest. In fiscal 2018, the Company paid $7.0 million for these transactions (2017 O$ .0 million). As at March 31, 2018, Indigo had $0.1 million payable to these companies under standard payment terms and $1.0 million of restricted cash pledged as collateral for letter of credit obligations issued to support the Company's purchases of merchandise from these companies (April 1, 2017 Oless than $0.1 million payable and $1.0 million restricted cash). All transactions were measured at fair market value and were in the normal course of business, under normal commercial terms, 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 17. The Company has not entered other transactions with the retirement plan.

Transactions with Associates

Calendar Club is a seasonal operation that is dependent on the November ˙ecember holiday sales season to generate revenue. ˙ur ing the year, the Company loans cash to Calendar Club for working capital reAuirements and Calendar Club repays the loans once profits are generated in the third Auarter. In fiscal 2018, Indigo loaned $14.9 million to Calendar Club (2017 O$11. million). All loans were repaid in full as at March 31, 2018.

The Company had immaterial transactions with ,nplug during the period.

Corporate Governance ' olicies

A presentation of the Company's corporate governance policies is included in the Management Information Circular, which is either mailed directly to shareholders or made available through the Notice and Access process. If you would like to receive a copy of this information, please contact Investor Relations at Indigo.

″x ecutive Management and ˇoard of ˙ir ectors

E ECUTIVE MANAGEMENT

˜ea ther Reisman
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Scott Formby
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BOARD OF DIRECTORS

Frank Clegg
*%"*ntee' hai'#an and hie - e^*ti+e i e'*
C4ST (Canadians for Safe Technology)

!onathan ˙eitc her
n+est#ent d+is%'
RˇC ˙ominion Securities Inc.

Mitchell Goldhar
- e^*ti+e hai'#an
SmartCentres R″IT and
wne'
' enguin Group of Companies

˜o ward Grosfield
- e^*ti+e i^e 'esident and ene'a" ana°e'
%ns#e' a'd e'+i es*
American ″xpr ess

Robert ˜aft
ana°in° a'tne'
Morgan Noble ˜ealthcar e ' artners

Andrea !ohnson
'in^i&a"
″n velo 'r operties Corp.

Michael "irb y
%&%ate i'e^t%'

Anne Marie O'˙ono van
'esident
O'˙ono van Advisory Services Ltd.

˜ea ther Reisman
hai' and hie - e^*ti+e i e'
Indigo ˇooks Music Inc.

Gerald SchwartJ
hai'#an and hie - e^*ti+e i e'
Onex Corporation

Five-/ear Summary of Financial Information

F5@G+# N# @A #2! #! 8l-00l52A 5' C 2 !- 2 !500 @A #M#7G7#@A+ @#! G9	March 31, 2018	A7@06 I P6C	A7@0I I P6D	M @+I % I P6(	M @+I 3 I P6)
SELECTED STATEMENT OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION					
R#K#2J#					
SJ7#@AG5@#A	728.6	CPI ;6	D3(;H	DI (;I	DPC;I
S1 00'5@ GAG5@#A	143.6	6) P;C	6) P;I	6I C;%	6I C;)
O2O2#	176.8	6) %;I	6HH;H	66) ;P	6PI ;P
OG+#@	30.4	I %;%	I (;)	I %;)	H6;6
T5G 0@#K#2J#	1,079.4	6 P63;%	33) ;I	%3(;)	%DC;C
A! .JAG#! EBITDA[6 I]	55.0	(I ;I	) H;6	I P;(	P;6
E @2-2*A 8l05AA9 #5@#-2 51 #G M#A	30.5	I 3;P	I I ;6	8H;I 9	8I D;39
N#G# @2-2*A 8l05AA9	21.8	I P;3	I %;D	8H;(9	8H6;P9
D-K! #2! A 7#@A+ @#	–	&	&	&	P;HH
N#G# @2-2*A 8l05AA9 7#@ 51 1 52 A+ @#	$ 0.81	" P;C3	" 6;6P	" 8P;6) 9	" 86;I 69
SELECTED CONSOLIDATED BALANCE SHEET INFORMATION					
5@-2* 7-G 0	257.0	I) %;6	I 6C;3	63%;C	6%3;C
T5G 0 AA#GA	633.6	DP%;D	(%) ;P	(H%;)	(6I ;D
L52*,G#@ ! # G82 0l!-2* J@@#2G75@G529	–	&	P;6	P;I	P;%
T5G 0#<J-GN	401.1	HC6;%	H)) ;P	H66;6	H66;C
#*+G#! K#@*#2J1 #@5' A+ @#A 5JGAG 2!-2*	26,849,418	I D H%) CC(	I (3) 3 PD%	I (CI I D) P	I (DP6 I DP
C51 1 52 A+ @#A 5JGAG 2!-2* G#2! 5' 7#@5!	26,800,609	I D H(6) %)	I (C3C H(6	I ( ) 3(I %3	I (I 3%I H3
STORE OPERATING STATISTICS					
Number of stores at end of period					
SJ7#@AG5@#A	86	%3	%%	36	3(
S1 00'5@ GAG5@#A	123	6I H	6I H	6I C	6H6
Selling square footage at end of period					
82 G+5JA 2! A9					
SJ7#@AG5@#A	1,887	6 3(H	6 3I (	I P63	I 6DH
S1 00'5@ GAG5@#A	308	HP)	HP(	H66	HI 6
Comparable sales growth					
T5G 0@#G-0 2! 52O2#	6.2%	) ;6:	6I ;3:	D;(:	8P;H: 9
SJ7#@AG5@#A	4.0%	I ;3:	6I ;%:	D;%:	8P;3: 9
S1 00'5@ GAG5@#A	2.4%	P;3:	6P;3:	P;%:	8(;P: 9
SJ7#@AG5@#A	386	HDP	HD6	H6P	I %6
S1 00'5@ GAG5@#A	467	) DH	) DP	) 66	H3C

6 E @2-2*A #5@#-2G#@AG GM#A !#7@#- G52 1 5@G0 G52 -1 7 -@ #2G AA#G!-A75A 0A 2! #<J-GN-2K#AG1 #2G;
I S##=N52,IFRS F-2 2 - 0M#AJ@#A>-2 G#C51 7 2N'A M 2 *#1 #2GD-A JAA-52 2! A2 0NA-A A#G52 5' G#A22J 0R#75@G;

Investor Information

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Fax (41) 3 4-0355

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MEDIA CONTACT
"a te Gregory
*eni% ana°e' * "i^Re"ai%ns*
Telephone (41) 3 4-4499 ext. 59

STOCK LISTING
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TRADING SYMBOL
I˙G

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. ebsite www.astfinancial.com ca-en

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″/ Tower
100 Adelaide Street . est, ' .O. ˇo x 1
Toronto, Ontario
Canada M5˜ 0ˇ3

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
!uly 17, 2018 at 10 00 a.m. at
Torys LL'
79 . ellington Street . est, 33rd Floor
Toronto, Ontario
Canada M5" 1N2

Shareholders are encouraged to attend and guests are welcome.

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Indigo's Commitment to Communities Across Canada

The Indigo Love of Reading Foundation (the "Foundation") exists to enrich the lives of Canadian children by providing funds through the donations of Indigo, its leadership, its customers, its employees, and suppliers to support the purchase of new and engaging books and educational resources for the libraries of high-needs elementary schools. Since 2004, the Foundation has committed over $28 million in more than 3,000 high-needs schools, impacting over 900,000 children. The Foundation runs two signature programs each year. In May 2018, the Indigo Love of Reading Literacy Fund grant provided transformational support of $1.5 million to 30 high-needs elementary schools that lack the resources to build and maintain healthy school libraries. Additionally, each fall, the Indigo Adopt a School program unites Indigo staff, local schools, and their communities to raise money for new library books for their local schools. In October 2017, Indigo Adopt a School program contributed over $1 million to more than 550 schools across Canada, impacting more than 185,000 children. The Foundation also celebrated Giving Tuesday, an annual global celebration of charitable giving held in November, by providing a total of $0.5 million to over 50 high-needs elementary schools.

This past year, the Foundation released and distributed *Read Between the ines*, a documentary commissioned by the Foundation to raise awareness for the literacy challenges facing Canada due, in part, to the underfunding of high-needs elementary school libraries.

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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