ANNUAL REPORT

FOR THE 52-WEEK PERIOD ENDED MARCH 30, 2013

"You can't
use up creativity.
The more
you use, the more
you have."

— *Maya Angelou*

Indigo

Enrich your life™

Indigo Chapters Coles indigo.ca

The Indigo Mission

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

Indigo operates under the following banners:
Indigo Books & Music, *Chapters*, the *World's Biggest Bookstore*, *Coles*, *SmithBooks*, *Indigospirit*, *The Book Company*, and *indigo.ca*.
The Company employs approximately 6,500 people across the country.

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

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Report of the CEO

Dear Shareholder,

2012/13 was a challenging but meaningful year for our Company as we continue our journey to transform Indigo.

We are in the early stages of a journey which will take us from our position as Canada's leading bookseller to our vision of being the world's first CREATIVES department store – an omni-channel, multi-category retailer with books, writers, artists, and designers at the heart of our enterprise. Our new experience will include a series of shops where our customers will find, in addition to books, wonderfully affordable products for home, for his and her gifting, and for kids, much of which is being designed in our own studio and therefore unique to us.

In moving toward this new vision, literally every aspect of our business is undergoing change.

This past year we focused intensely on advancing our design and merchant capabilities, our digital capability, as well as our supply chain. Still to come – major redesign in our stores – and continual change and advances in all our digital formats.

It is satisfying to know that we did see some early gains in margin expansion and in the growth of our lifestyle categories. More important, as I write this note, we are seeing these early advances begin to gain real traction in terms of top line growth and continued margin advances.

But, to paraphrase the wonderful poet Robert Frost – we have miles to go before we sleep. With our core book business under pressure, it will take us at least two more years to achieve the levels of growth necessary in our new business to make up and then surpass the decline in books. We are energized and firmly committed to taking our brand – so valued by Canadians – and reinventing it for the 21st century.

It is worth noting that while meeting the demands of this transformation, Indigo was named as the top Canadian retail employer brand by Randstad Canada and continued to rank very highly on rankings of top brands in Canada.

We also continued our commitment to childhood literacy through our Indigo Love of Reading Foundation. Once again the Foundation committed another $1.5 million to high need schools across the country. Together, the Foundation and the Adopt a School program have put $13.5 million into more than 1,300 elementary schools across Canada. The response from our principals, our teachers and our students is truly inspiring with literacy rates growing in leaps and bounds in schools where reading levels have historically been problematic.

I want to take this opportunity to thank all our employees for their on-going and passionate dedication to our customers and to each other. I also want to thank our shareholders who are with us as we embrace the future.

Heather Reisman
Chair and Chief Executive Officer

Management's Responsibility for Financial Reporting

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

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

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

Heather Reisman
Chair and Chief Executive Officer

Kay Brekken
Chief Financial Officer

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") is prepared as at May 28, 2013 and is based primarily on the consolidated financial statements of Indigo Books & Music Inc. (the "Company" or "Indigo") for the 52-week periods ended March 30, 2013 and March 31, 2012. The Company's consolidated financial statements and accompanying notes are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the accounting policies described therein.

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

Overview

Indigo is Canada's largest book, gift and specialty toy retailer, operating stores in all 10 provinces and one territory in Canada and offering online sales through its *indigo.ca* website. As at March 30, 2013, the Company operated 97 superstores under the banners *Chapters*, *Indigo* and the *World's Biggest Bookstore* and 134 small format stores, under the banners *Coles*, *Indigo*, *Indigospirit*, *SmithBooks*, and *The Book Company*. During fiscal 2013, the Company did not open any stores and closed nine small format stores. The Company also has a 50% interest in Calendar Club of Canada Limited Partnership ("Calendar Club"), which operates seasonal kiosks and year-round stores in shopping malls across Canada.

On November 8, 2011, Indigo entered into an agreement with Rakuten, Inc. ("Rakuten") for Rakuten to acquire all the outstanding shares of the Company's subsidiary Kobo Inc. ("Kobo") on a fully diluted basis for an aggregate purchase price of US$315.0 million. The Company continued to eliminate all intercompany transactions until the sale was closed. The sale transaction was unanimously approved by the Board of Directors on November 8, 2011 and closed on January 11, 2012. Indigo received net cash proceeds of US$146.1 million from the Kobo sale and recorded a pre-tax accounting gain of $164.5 million as part of discontinued operations.

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

The weighted average number of common shares outstanding for fiscal 2013 was 25,270,087 as compared to 25,201,127 last year. As at May 28, 2013, the number of outstanding common shares was 25,297,389 with a book value of $203.8 million. The number of common shares reserved for issuance under the employee stock option plan is 2,179,739 as at May 28, 2013. As at March 30, 2013, there were 1,627,000 stock options outstanding of which 722,500 were exercisable.

General Development of the Business

It has been 16 years since Indigo launched its first superstore with a commitment to enriching Canadians' lives through books and complementary products. Much has changed since then in both the book industry and the larger retail landscape that serves our customers. The online channel has expanded dramatically, offering consumers an increased number of titles at a lower cost than a traditional physical bookstore along with a broad range of general merchandise. In addition, the digital and mobile channels have provided consumers with a completely new reading platform with instant accessibility, huge selection, and lower costs.

Indigo continues to be proactive in an industry that is undergoing dramatic change and is well underway to establishing itself as the world's first CREATIVES department store, a digital and physical place inspired by and filled with books, ideas, beautifully designed products, and the creative people who make it all happen. As such, we remain committed to our

transformational agenda and continue to invest in our brand and the customer experience which will position Indigo for sustained growth. More specifically, our priorities remain focused on advancing the core retail business through adapting our physical stores, improving productivity, driving employee engagement, and expanding our online and digital presence.

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

Adapting Our Physical Stores

To ensure that the offerings in our physical stores are rich and compelling, the Company continues to adjust and expand its product mix, underlining Indigo's commitment to becoming the premier year-round gifting destination in Canada. The Company's main growth categories are paper, toys, and gift products such as home and fashion accessories. This has been achieved through a reduction in the floor space allotted to books, given the erosion of physical book sales, as well as our ability to carry fewer on-hand quantities of books as a result of a more timely and efficient replenishment process.

Indigo continues to adapt and improve its physical stores to support these growth categories. The Company continues to expand its assortment of toys and games and now has dedicated toy sections within 95 of its superstores, with the remaining superstores showcasing expanded toy offerings. Additionally, during fiscal 2013, Indigo transformed 25 of its superstores with new fixtures and increased square footage to showcase its home and fashion accessory categories.

The Company also remains committed to expanding its proprietary product development capability, which primarily includes home, paper merchandise, and fashion accessories. This initiative is part of the Company's focus on providing customers with increasingly meaningful and life-enriching merchandise while improving operating margins. To support this initiative, Indigo opened a new design office in New York in fiscal 2011 and a full line of proprietary merchandise developed by this team began appearing in stores in fiscal 2012.

Lastly, in fiscal 2012, the Company made changes to the irewards program, its fee-based loyalty program, and launched the plum rewards program, a free points-based loyalty program. Previously, discounts were only offered on books; however, with the program changes, discounts and points are now offered on virtually all products in the stores. The plum rewards program has grown to 5.8 million members since its launch. The success of these programs creates a rich understanding of our customers as well as direct marketing and communication opportunities with our best customers.

Driving Productivity Improvement

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

In fiscal 2010, the first phase of a project was approved to open a new distribution facility to serve as the fulfillment centre for the Company's online business and to deploy a new warehouse management system. The facility opened in September 2010 and currently supports an increased assortment of books and general merchandise products for online customers.

In April 2012, the Company completed the second phase of the project, to upgrade the existing retail distribution facility to more efficiently support the retail stores. The project scope included replacing the warehouse management system and upgrading the material handling equipment. The completion of this project allows the Company to handle the increased demands of the new growth categories while also sending more overall product through its distribution centres, thus improving overall margins.

In fiscal 2013, the Company kicked off an initiative to implement an integrated planning system to improve the merchandise and financial planning for all its categories which will simplify and eliminate manual work associated with managing all growth categories. This initiative is scheduled to be completed in fiscal 2014.

Going forward, the Company continues to target processes for re-engineering, cost rationalization, and improving customer value. During the latter half of fiscal 2012, the Company launched the Galileo project to identify productivity opportunities and initiatives. To date, under the umbrella of Galileo, the Company has implemented over 150 initiatives that improved profitability while also enhancing employee and customer engagement. These initiatives support the continued investments in the transformation of the overall business.

Employee Engagement

Indigo's strategic efforts continue to focus on employee engagement. Employees participate in regular employee engagement surveys to track the Company's progress in this area, and the fiscal 2013 survey showed an overall increase in employee engagement.

The Company realizes that sustaining high levels of employee engagement is an ongoing responsibility and, accordingly, expects to continue to commit resources to specific initiatives designed to make Indigo one of the best places to work. Efforts to boost employee satisfaction include the improvement of core work process design and the implementation of systems upgrades. Improvements to communication, training and development, and performance management are also ongoing.

The Galileo productivity initiative discussed above also drives employee engagement. As part of the Galileo initiative, the Company launched an internal social media platform to capture employee innovation by providing employees with the opportunity to submit ideas about how to improve the employee and customer experience. Employees have the ability to view, vote, and comment on ideas submitted by other employees. Galileo and the social media platform have been embraced by employees, and all Galileo successes are recognized and celebrated internally.

In May 2013, the Company's employee engagement focus was recognized outside of the Company with Indigo being named the top Canadian retail employer brand by Randstad Canada. The award is based on the polling of job seekers in search of employment opportunities in Canada's leading organizations.

Looking forward, our efforts to build and maintain high levels of employee engagement will continue to be a top priority.

Online Development and Redesign

Reshaping Indigo's physical store offerings means the online store must also continue to adapt and change. As such, the redesign of the website included a focus on the new growth categories of paper, toys, and gift products such as home and fashion accessories. The latest redesign, completed at the end of fiscal 2013, includes much richer visual presentations of these new categories, a simplified checkout experience, a much enhanced mobile experience, a comprehensive gift finder, and an innovative drag and drop capability to ease online shopping. Social media integration including Facebook, Pinterest, and Twitter all remain a priority as well.

To further improve the online customer experience, Indigo launched "buy online, ship to store" in fiscal 2013, an initiative that allows customers to buy products online and have the items shipped to one of our stores for free. This provides customers with additional flexibility to decide where and when purchases are picked up and reduces Indigo's shipping costs.

Results of Operations

The following three tables summarize selected financial and operational information for the Company for the periods indicated. The classification of financial information presented below is specific to Indigo and may not be comparable to that of other retailers. The selected financial information is derived from the audited consolidated financial statements for the 52-week periods ended March 30, 2013, March 31, 2012, and April 2, 2011.

Results from continuing operations exclude Kobo results, which are reported separately as discontinued operations.

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

(millions of Canadian dollars)	**52-week period ended March 30, 2013**	**% Revenues**	52-week period ended March 31, 2012	% Revenues
Revenues	**892.5**	**100.0**	934.0	100.0
Cost of sales	**(500.7)**	**56.1**	(544.9)	58.3
Cost of operations	**(282.1)**	**31.6**	(284.1)	30.4
Selling, administrative and other expenses	**(79.7)**	**8.9**	(78.6)	8.4
EBITDA[1]	**30.0**	**3.4**	26.4	2.8

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

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

(thousands of Canadian dollars, except per share data)	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012	52-week period ended April 2, 2011
Revenues			
Superstores	**625,428**	656,530	667,582
Small format stores	**137,242**	145,247	149,418
Online (including store kiosks)	**91,907**	91,279	90,617
Other	**37,881**	40,934	48,832
	892,458	933,990	956,449
Earnings (loss) and comprehensive earnings (loss) for the period from continuing operations	**4,288**	(27,827)	14,392
Net earnings (loss) and comprehensive earnings (loss) for the period	**4,288**	66,189	(19,384)
Total assets	**570,246**	592,536	511,007
Long-term debt (including current portion)	**1,478**	2,201	3,285
Working capital	**224,895**	224,126	101,615
Basic earnings (loss) per share from continuing operations	**$0.17**	$(1.10)	$0.58
Basic earnings (loss) per share	**$0.17**	$3.68	$(0.23)
Diluted earnings (loss) per share	**$0.17**	$3.64	$(0.23)

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

	52-week period ended March 30, 2013	52-week period ended March 31, 2012	52-week period ended April 2, 2011
Comparable Store Sales[1]			
Superstores	(4.6%)	(1.9%)	(0.3%)
Small format stores	(2.4%)	(0.8%)	(3.2%)
Stores Opened			
Superstores	–	–	1
Small format stores	–	–	–
	–	–	1
Stores Closed			
Superstores	–	–	–
Small format stores	9	7	1
	9	7	1
Number of Stores Open at Year-End			
Superstores	97	97	97
Small format stores	134	143	150
	231	240	247
Selling Square Footage at Year-End (in thousands)			
Superstores	2,235	2,235	2,235
Small format stores	379	400	413
	2,614	2,635	2,648

1 See "Non-IFRS Financial Measures".

Revenue from Continuing Operations Decreased

Total consolidated revenues for the 52-week period ended March 30, 2013 decreased $41.5 million or 4.4% to $892.5 million from $934.0 million for the 52-week period ended March 31, 2012. The decrease was driven by declining book and eReader sales, reduced loyalty card sales, and the Company operating nine fewer stores than last year. The decrease was partially offset by double-digit growth in gift, paper, and toy sales, lower sales discounts, and an increase in revenue from the Kobo revenue-sharing agreement.

Comparable store sales for the fiscal year decreased 4.6% in superstores and 2.4% in small format stores. The decrease was mainly driven by the reasons mentioned above. Comparable store sales are defined as sales generated by stores that have been open for more than 12 months on a 52-week basis. It is a key performance indicator for the Company as this measure excludes sales fluctuations due to store closings, permanent relocation, and chain expansion. As at March 30, 2013, the Company operated nine fewer small format stores compared to March 31, 2012.

Online sales increased by $0.6 million or 0.7% to $91.9 million for the 52-week period ended March 30, 2013 compared to $91.3 million last year. Although in-store physical book sales have declined, online book sales have seen less erosion as more customers move to purchase books online instead of in-store. Additionally, sales of gift, paper, and toy products continue to grow. During fiscal 2013, the Company also redesigned and relaunched its website to drive higher sales.

Revenues from other sources include revenues generated through irewards card sales, gift card breakage, plum points revenue, Calendar Club, and revenue-sharing with Kobo. Revenues from other sources decreased $3.0 million or 7.3% to $38.0 million for the 52-week period ended March 30, 2013 compared to $41.0 million last year primarily as a result of lower irewards membership income. irewards card sales have decreased as expected, as members moved to the free plum

rewards program. This decrease has been partially offset by higher revenues earned from the Kobo revenue-sharing agreement as more people choose to read digitally.

Revenues by channel are highlighted below:

(millions of Canadian dollars)	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012	% increase (decrease)	Comparable store sales % increase (decrease)
Superstores	**625.4**	656.5	(4.7)	(4.6)
Small format stores	**137.2**	145.2	(5.5)	(2.4)
Online (including store kiosks)	**91.9**	91.3	0.7	N/A
Other	**38.0**	41.0	(7.3)	N/A
	892.5	934.0	(4.4)	(4.3)

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

	Superstores		Small format stores	
(millions of Canadian dollars)	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012
Total revenues	**625.4**	656.5	**137.2**	145.2
Adjustments for stores not in both fiscal periods	**(9.1)**	(10.2)	**(3.4)**	(8.1)
Comparable store sales	**616.3**	646.3	**133.8**	137.1

Cost of Sales (as a Percent of Revenues) from Continuing Operations Improved Significantly Compared to Last Year

Cost of sales includes the landed cost of goods sold, online shipping costs, inventory shrink and damage reserve, less all vendor support programs. For the 52-week period ending March 30, 2013, cost of sales as a percent of total revenues decreased by 2.2% to 56.1%, compared to 58.3% last year. The improvement as a percent of revenues was driven by three main factors: (i) a shift in sales mix from low margin eReaders to higher margin gift products; (ii) lower sales discounts and fewer mark-downs as the result of better than expected summer and winter clearance product sales; and (iii) shipping more products through the Company's distribution centres as the Company received better margin from vendors for products that were shipped through its distribution centres. The improvement was partially offset by lower vendor support due to lower book sales. In dollar terms, cost of sales decreased $44.2 million to $500.7 million, compared to $544.9 million last year. The decrease was primarily due to lower sales volumes and the improvement in cost of sales as a percent of revenue.

Cost of Operations from Continuing Operations Decreased

Cost of operations includes all store, online, distribution centre and Calendar Club costs. Cost of operations decreased $2.0 million to $282.1 million this year, compared to $284.1 million last year. As a percent of total revenues, cost of operations increased by 1.2% to 31.6% this year, compared to 30.4% last year. The percentage increase was primarily due to higher distribution centre and online costs. The Company reconfigured its retail distribution centre and implemented a new warehouse management software application earlier this year, which resulted in one-time period costs. The reconfiguration allowed the retail distribution centre to handle higher volumes; increased volumes resulted in higher freight and labour costs. The increase in online costs was due to higher volumes, along with labour and supplies related to the free gift wrapping service offered to online customers, and increased marketing spend to drive sales. These increases were partially offset by lower costs at stores due to the benefits realized under the Company's Galileo productivity initiative.

Selling, Administrative and Other Expenses from Continuing Operations Increased Compared to Last Year

Selling, administrative and other expenses include all marketing and head office costs. These expenses increased $1.1 million to $79.7 million, compared to $78.6 million last year. The increase was primarily driven by higher marketing costs. The Company made a strategic decision to drive customer recognition of Indigo as Canada's preferred destination for gift giving through a significant investment in marketing initiatives. The increase was partially offset by lower head office costs as the result of benefits realized under the Company's Galileo productivity initiative and because there were no Kobo-related compensation expenses paid in the current year. Last year, compensation was paid to one Kobo Director, one Indigo Director (who also served on Kobo's board) and employees as a result of the sale of Kobo. As a percent of total revenues, selling, administrative and other expenses increased by 0.5% to 8.9%, compared to 8.4% last year.

EBITDA from Continuing Operations Increased Versus Last Year

EBITDA, defined as earnings before interest, taxes, depreciation, amortization, and impairment increased $3.6 million to $30.0 million for the 52-week period ended March 30, 2013, compared to $26.4 million for the 52-week period ended March 31, 2012. EBITDA as a percent of revenues increased 0.6% to 3.4% this year from 2.8% last year. The increase was driven by the reduction of expenses related to cost of sales, as discussed above. Improvements in the Company's cost of sales resulted in higher margin and EBITDA.

Depreciation and Amortization from Continuing Operations Increased Compared to Last Year

Depreciation and amortization for the 52-week period ended March 30, 2013 increased by $1.4 million to $28.1 million compared to $26.7 million last year. Capital expenditures in fiscal 2013 totalled $19.6 million and included $7.1 million for store construction, renovations and equipment, $9.6 million for intangible assets (primarily application software and internal development costs), and $2.9 million for technology equipment. Of the $2.9 million expenditure in technology equipment, $0.5 million was financed through finance leases.

Impairment of Capital Assets

The Company assesses at each reporting date whether there is any indication that capital assets may be impaired. During fiscal 2013, the Company identified impairment and reversal indicators for certain cash-generating units ("CGUs") and groups of CGUs. For capital assets which can be reasonably and consistently allocated to individual stores, the store level is used as the CGU. As a result of identifying impairment and reversal indicators, the Company performed testing which resulted in the recognition and reversal of impairment losses. Recoverable amounts for CGUs being tested are based on value in use, which is calculated from discounted cash flow projections over the remaining lease terms, plus any renewal options where renewal is likely.

During fiscal 2013, the Company recognized $1.3 million in capital asset impairments and $1.0 million in impairment reversals. All of the impairment losses and reversals relate to Indigo's continuing operations and are spread across a number of CGUs at the store level. Impairment losses arose due to stores performing at lower-than-expected profitability and impairment reversals arose due to improved store performance and the likelihood of lease term renewals. Last year, the Company recognized $4.8 million in capital asset impairments and $0.8 million in impairment reversals for the same reasons; there were no impairment losses or reversals related to Kobo.

Impairment of Goodwill

The Company has no remaining goodwill balance in fiscal 2013.

Last year, the Company had two operating segments: Indigo and Kobo. As a result of identifying impairment indicators, the Company performed a goodwill impairment test which resulted in a $25.4 million impairment charge for the Indigo segment. Unlike other asset impairments, goodwill impairment charges cannot be reversed once they are recorded.

The goodwill impairment test consisted of comparing the carrying value of assets within each CGU or group of CGUs to the recoverable amount of the CGU or group of CGUs. The group of CGUs used by the Company for impairment testing was at the operating segment level. The recoverable amount of the Indigo segment was measured by discounting the future cash expected to be generated. The discounted cash flow model was based on actual operating results, detailed sales and cost forecasts, and long-term growth rates which are consistent with inflation and general retail industry averages.

Last year, the Company also performed an impairment test on the Kobo segment prior to its sale. The recoverable amount of the Kobo segment was based on the market capitalization of Kobo. There was no impairment identified for the goodwill allocated to the Kobo segment.

Net Interest Income from Continuing Operations Increased

The Company recognized net interest income of $2.5 million this year compared to $0.3 million last year. As a result of the sale of Kobo in the last quarter of fiscal 2012, the Company had a higher cash position in fiscal 2013 than last year. The Company also had lower interest expense in fiscal 2013 as there were no notes payable during the year, compared to last year's interest accretion on the notes payable. The Company nets interest income against interest expense.

Income Tax Recovery from Continuing Operations Decreased from Last Year

The Company recognized income tax recovery of $0.1 million this year compared to income tax recovery of $1.5 million last year. Last year, the Company had a net loss from continuing operations which resulted in a recovery of income tax. This year the Company recognized a net recovery of income tax despite generating positive net earnings from continuing operations. The Ontario government deferred a previously-approved future reduction in corporate income tax rates which resulted in: (i) an increase to the substantively enacted future tax rate; (ii) a higher deferred tax asset; and (iii) net recovery of income tax. This rate change also drove the improvement in the Company's effective tax rate. The Company's effective tax rate was (2.3)% in fiscal 2013 compared to 5.1% last year.

Net Earnings from Continuing Operations Increased from Last Year

The Company recognized net earnings from continuing operations attributable to shareholders of the Company of $4.3 million for the 52-week period ended March 30, 2013 ($0.17 net earnings per common share), compared to a net loss of $27.8 million ($1.10 net loss per common share) last year. The increase was primarily the result of a reduction in non-cash impairment charges to goodwill and capital assets to $0.3 million in fiscal 2013 compared to $29.4 million last year.

Net Earnings from Kobo Discontinued Operations

The Company did not record any net earnings from discontinued operations or non-controlling interest in fiscal 2013. Last year, the Company recognized net earnings from discontinued operations attributable to shareholders of the Company of $120.5 million for the 52-week period ended March 31, 2012 ($4.78 net earnings per common share). The net earnings resulted from the sale of Kobo, as the Company's $164.5 million gain on selling its shares of Kobo, offset by a $16.3 million income tax expense, was recorded as part of discontinued operations. From April 3, 2011 to January 10, 2012, the Company also recorded $26.5 million of non-controlling interest for the portion of Kobo losses attributable to the minority shareholders. As a result of the sale, the Company disposed of the $1.2 million of goodwill allocated to the Kobo operating segment and recorded Kobo's results in its consolidated financial statements as discontinued operations.

Seasonality and Fourth Quarter Results

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

	Fiscal quarters							
(thousands of Canadian dollars, except per share data)	**Q4 Fiscal 2013**	Q3 Fiscal 2013	Q2 Fiscal 2013	Q1 Fiscal 2013	Q4 Fiscal 2012	Q3 Fiscal 2012	Q2 Fiscal 2012	Q1 Fiscal 2012
Revenues	**184,814**	335,572	185,589	186,483	195,879	352,858	197,248	188,005
Net earnings (loss) attributable to shareholders of Indigo								
From continuing operations	**(8,247)**	22,035	(4,013)	(5,487)	(10,726)	23,711	(28,849)	(11,963)
From discontinued operations	**–**	–	–	–	142,253	(9,349)	(6,271)	(6,142)
Total net earnings (loss)	**(8,247)**	22,035	(4,013)	(5,487)	131,527	14,362	(35,120)	(18,105)
Basic earnings (loss) per share	**$(0.33)**	$0.87	$(0.16)	$(0.22)	$5.21	$0.57	$(1.39)	$(0.72)
Diluted earnings (loss) per share	**$(0.33)**	$0.86	$(0.16)	$(0.22)	$5.16	$0.56	$(1.39)	$(0.72)

The Company saw a decline in consolidated revenues in the fourth quarter of fiscal 2013 against the blockbuster Hunger Games Trilogy fourth quarter last year, and for the same reasons as those discussed above for the full fiscal year. Revenues decreased by $11.1 million, or 5.7%, to $184.8 million compared to $195.9 million in the same quarter last year. Online sales remained flat at $21.3 million in the fourth quarter for both fiscal 2013 and fiscal 2012. Comparable store sales decreased 5.8% in superstores and decreased 5.2% in small format stores.

Net loss from continuing operations in the fourth quarter of fiscal 2013 improved by $2.5 million, or 23.4%, to a loss of $8.2 million compared to a loss of $10.7 million in the same quarter last year. Although fourth quarter sales decreased compared to the same period last year, the Company saw improvements in cost of sales, resulting in net margin dollars remaining flat year-over-year. The reduction in fourth quarter net losses for the current year were driven by lower operating and selling and administrative expenses due to the Company's ongoing focus on its Galileo productivity improvement initiative and by lower bonus expenses in fiscal 2013 as there was no Special Achievement Bonus Program in the current year. This expense reduction was partially offset by lower fourth quarter income tax recovery for the current year as the Company had a lower net loss compared to last year. Net earnings from discontinued operations were nil in the fourth quarter of fiscal 2013 compared to net earnings of $142.3 million in the same quarter last year. The decrease was driven by last year's gain from the sale of Kobo, as discussed above.

Overview of Consolidated Balance Sheets

Total Assets

As at March 30, 2013, total assets decreased $22.3 million to $570.2 million, compared to $592.5 million as at March 31, 2012. The decrease was primarily due to decreases in inventories and property, plant and equipment. The Company's inventory balance decreased by $12.8 million as fewer inventories were held by Indigo due to lower expected sales. Property, plant and equipment decreased by $8.1 million as the Company had fewer capital asset additions. Last year, the Company was engaged in a large-scale project to upgrade its retail distribution facility, which resulted in higher capital asset purchases. This project was completed at the beginning of fiscal 2013.

Total Liabilities

As at March 30, 2013, total liabilities decreased $17.0 million to $219.9 million, compared to $236.9 million as at March 31, 2012. The decrease was primarily the result of lower current and long-term accounts payable and accrued liabilities, partially offset by increases in unredeemed gift card liability and deferred revenue. The $24.7 million decrease in current and long-term accounts payable and accrued liabilities is consistent with the reduction in inventories. The increase of $4.5 million in unredeemed gift card liability was the result of higher gift card sales in the current year. Deferred revenue increased by $2.5 million due to an increase in plum point transactions as revenue attributed to plum points earned by members is recorded as deferred revenue, then recognized into income as points are redeemed. Membership in the plum program has increased by 1.6 million members, from 4.2 million members last year, to 5.8 million members at the end of fiscal 2013.

Total Equity

Total equity at March 30, 2013 decreased $5.3 million to $350.3 million, compared to $355.6 million as at March 31, 2012. The decrease in total equity was primarily due to net earnings from continuing operations of $4.3 million offset by $11.1 million of dividend payments. Share capital increased by $0.4 million due to the exercise of stock options and the redemption of Directors' deferred share units. Contributed surplus increased $1.1 million due to the expensing of employee stock options and Directors' deferred share units.

Working Capital and Leverage

The Company reported working capital of $224.9 million as at March 30, 2013, compared to $224.1 million as at March 31, 2012. Working capital remained nearly flat from last year as assets and liabilities decreased by a similar amount. The $13.6 million decrease in current assets was driven by a reduction in inventories, while the $14.4 million decrease in current liabilities was driven by a corresponding decrease in accounts payable and accrued liabilities.

The Company's leverage position (defined as Total Liabilities to Total Equity) decreased to 0.6:1 at the end of the current year compared to 0.7:1 as at March 31, 2012. The decreased leverage position was the result of a greater decrease in total liabilities than in total equities.

Overview of Consolidated Statements of Cash Flows

Cash and cash equivalents increased $4.1 million during fiscal 2013 compared to an increase of $123.9 million last year. The increase in fiscal 2013 was driven by cash flows from operating activities of $32.3 million, along with the effect of foreign currency exchange rate changes on cash and cash equivalents of $0.4 million, partially offset by cash flows used in investing activities of $16.5 million and financing activities of $12.1 million.

Cash Flows from Operating Activities

The Company generated cash flows of $32.3 million from operating activities in fiscal 2013 compared to cash flows used by operating activities of $12.5 million last year. The Company used $56.9 million in Kobo discontinued operations last year. Excluding the cash flows used by Kobo, cash flows from operating activities of continuing operations were $32.3 million this year compared to $44.4 million last year, a decrease of $12.1 million. The Company generated $1.4 million of cash from working capital this year compared to generating $16.9 million of cash from working capital last year and had net earnings of $4.3 million this year compared to a net loss of $27.8 million last year. The Company also had capital asset and goodwill impairments of $0.3 million in the current year, compared to $29.4 million last year.

Cash Flows from Investing Activities

The Company used cash flows of $16.5 million for investing activities in fiscal 2013 compared to $76.3 million generated by investing activities last year. Last year, the Company used $8.9 million in Kobo discontinued operations and generated $148.9 million in the Kobo sale. Also, last year Kobo had a closing cash balance of $33.0 million, which was disposed of as

part of the Kobo sale. Excluding the cash flows related to Kobo, cash flows used for investing activities of continuing operations was $16.5 million this year compared to $30.7 million used last year, a decrease of $14.2 million. The decrease was due to a reduction in spending on capital projects and no tax loss acquisitions in the current year. Last year, the Company used $10.6 million to acquire non-capital tax losses. The Company also received $2.7 million of interest in the current year compared to $0.5 million last year.

Total cash spent on capital projects in fiscal 2013 was $19.1 million compared to $29.6 million spent last year, as outlined below:

(millions of Canadian dollars)	52-week period ended March 30, 2013	52-week period ended March 31, 2012
Store construction, renovations and equipment	7.1	10.1
Intangible assets (primarily application software and internal development costs)	9.6	8.6
Technology equipment	2.4	2.0
Capital expenditures of discontinued operations	–	8.9
	19.1	29.6

Cash Flows from Financing Activities

The Company used cash flows of $12.1 million for financing activities in fiscal 2013 compared to generating $59.7 million of cash flows last year. The Company generated $74.8 million from Kobo discontinued operations last year. Also, last year Indigo purchased $3.0 million of Kobo shares. Excluding the cash flows related to Kobo, cash flows used by financing activities of continuing operations remained flat at $12.1 million this year and last year. The primary use of cash in both periods was $11.1 million of dividend payments.

Liquidity and Capital Resources

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

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

(millions of Canadian dollars)	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Finance lease obligations	0.8	0.7	–	–	1.5
Operating leases	55.8	71.9	40.6	14.3	182.6
Total obligations	56.6	72.6	40.6	14.3	184.1

Based on the Company's liquidity position and cash flow forecast, management expects its current cash position, cash flow generated from operations, and cash from the Company's operating line of credit to be sufficient to meet its working capital needs, debt service requirements and dividend payments for fiscal 2014. In addition, Indigo has the ability to reduce capital spending to fund debt requirements if necessary; however, a long-term decline in capital expenditures may negatively impact revenues and profit growth. Future declaration of quarterly dividends and the establishment of future record and payment dates are subject to the final determination of the Company's Board of Directors. Dividends may be reduced or eliminated if required to maintain appropriate capital resources.

There can be no assurance that operating levels will not deteriorate over the ensuing fiscal year, which could result in the Company being unable to meet its current working capital and debt service requirements. In addition, other factors not

presently known to management could materially and adversely affect Indigo's future cash flows. In such events, the Company would be required to obtain additional capital as is necessary to satisfy its working capital and debt service requirements from other sources. Alternative sources of capital could result in increased dilution to shareholders and may be on terms that are not favourable to the Company.

Accounting Policies

Critical Accounting Judgments and Estimates

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

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

Use of judgment

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

Impairment

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

Intangible assets

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

Leases

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

Deferred tax assets

The recognition of deferred tax assets is based on the Company's judgment. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by the Company based on the specific facts and circumstances.

Use of estimates

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

Revenues

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

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

Inventories

The future realization of the carrying amount of inventory is affected by future sales demand, inventory levels, and product quality. The Company reduces inventory for estimated shrinkage that has occurred between physical inventory counts and records reserves for slow-moving or damaged products and for products that have been permanently marked down based on these assumptions. The Company reviews the reserves regularly and assesses whether they are appropriate based on actual experience. In addition, the Company records a vendor settlement accrual to cover any disputes between the Company and its vendors. The Company estimates this reserve based on historical experience of settlements with its vendors.

Share-based payments

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

Impairment

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

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

Capital assets are depreciated over their useful lives, taking into account residual values where appropriate. Assessments of useful lives and residual values are performed annually and take into consideration factors such as: technological innovation;

maintenance programs; and relevant market information. In assessing residual values, the Company considers the remaining life of the asset, its projected disposal value, and future market conditions.

Accounting Standards Implemented in Fiscal 2013

Income Taxes ("IAS 12")

An amendment to IAS 12 introduced an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment was effective for annual periods beginning on or after January 1, 2012. The amendment had no impact on the Company's consolidated financial statements as it has no investment properties.

Financial Instruments: Disclosures ("IFRS 7")

Amendments to IFRS 7 increased the disclosure requirements for transactions involving transfers of financial assets. These amendments are effective for annual periods beginning on or after July 1, 2011. The amendments had no impact on the Company's disclosures as it has no transfers of financial assets.

New Accounting Pronouncements

Presentation of Financial Statements ("IAS 1")

The IASB has issued amendments to IAS 1 which will require companies to group together items within other comprehensive earnings which may be reclassified to net earnings. The amendments are effective for annual periods beginning on or after July 1, 2012 and must be applied retrospectively. The Company will apply these amendments beginning in the first quarter of fiscal 2014. The Company does not expect implementation of these amendments to have an impact on its consolidated financial statements.

Financial Instruments: Disclosures ("IFRS 7")

The IASB has issued amendments to IFRS 7 regarding the offsetting of financial instruments. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Company will apply these amendments beginning in the first quarter of fiscal 2014. The Company does not expect implementation of these amendments to have a significant impact on its consolidated financial statements.

Financial Instruments: Presentation ("IAS 32")

The IASB has issued amendments to IAS 32 that clarify its requirements for offsetting financial instruments. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2014. The Company will apply these amendments beginning in the first quarter of fiscal 2015. The Company does not expect implementation of these amendments to have a significant impact on its consolidated financial statements.

Financial Instruments ("IFRS 9")

The IASB has issued a new standard, IFRS 9, which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. Issuance of IFRS 9 is part of the first phase of the IAS 39 replacement project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive earnings instead of net earnings unless this would create an accounting mismatch. IFRS 9 is effective for annual

periods beginning on or after January 1, 2015 and must be applied retrospectively. The Company is assessing the impact of the new standard on its consolidated financial statements.

Other Standards

On May 12, 2011, the IASB issued four new standards along with amendments to two standards, all of which are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, but the new standards and amendments must all be adopted concurrently, with the exception of IFRS 12, "Disclosure of Interests in Other Entities," which may be early adopted on its own. All of the new standards and amendments must be applied retrospectively. The Company will adopt these new standards and amendments in the first quarter of fiscal 2014. The following is a list and description of these new standards and amendments:

- Consolidated Financial Statements ("IFRS 10") replaces portions of IAS 27, "Consolidated and Separate Financial Statements" and supersedes SIC-12, "Consolidation – Special Purpose Entities," and establishes standards for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. IFRS 10 establishes a single control model that requires an entity to consolidate an investee when it has power, exposure to variability in returns and has the ability to use its power over the investee to affect its returns, regardless of whether voting rights are present. Kobo was the only entity which would have been consolidated by the Company under this standard and the sale of Kobo closed on January 11, 2012. As such, adoption of IFRS 10 will have no impact on the consolidated financial statements;
- Joint Arrangements ("IFRS 11") replaces IAS 31, "Interests in Joint Ventures" ("IAS 31") and SIC-13, "Jointly-controlled Entities – Non-monetary Contributions by Venturers," and requires that a party in a joint arrangement assess its rights and obligations to determine the type of joint arrangement and account for those rights and obligations accordingly. IFRS 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, jointly-controlled entities that meet the definition of a joint venture must be accounted for using the equity method. Currently, the Company accounts for its interest in Calendar Club under IAS 31 using proportionate consolidation. However, the Company has concluded that its interest in Calendar Club will not meet the definition of a joint arrangement under IFRS 11 and will need to be accounted for under "Investments in Associates and Joint Ventures" ("IAS 28") as a significant investment using the equity method beginning in fiscal 2014. As part of the transition to IAS 28, beginning in fiscal 2014 the Company will retrospectively restate its comparative financial statements to reclassify proportionately consolidated Calendar Club operating results into a single equity investment line. These restatements will have no impact to the Company's total net earnings (loss).
- Disclosure of Interests in Other Entities ("IFRS 12") includes all of the disclosures that were previously in IAS 27, "Separate Financial Statements," IAS 31 and IAS 28, "Investments in Associates." These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates, and structured entities. Under IFRS 12, an entity is required to disclose the judgments made to determine whether it controls another entity. This new standard is expected to increase disclosures related to Calendar Club;
- Fair Value Measurement ("IFRS 13") provides guidance to improve consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy. This standard applies when another IFRS standard requires or permits fair value measurements or disclosures. IFRS 13 does not apply for share-based payment transactions, leasing transactions and measurements that are similar to, but are not, fair value. The Company has no financial or non-financial items which are measured at fair value. As such, this standard is not expected to have an impact on the Company's consolidated financial statements;
- Separate Financial Statements ("IAS 27") has been amended to remove all requirements relating to consolidated financial statements. Prior to this amendment, the Company applied IAS 27 to the preparation of its consolidated financial statements. However, as Indigo does not prepare separate financial statements, the amended IAS 27 will not be applicable to the Company; and

- Investments in Associates and Joint Ventures ("IAS 28") has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. The amendments to IAS 28 relate to accounting for associates and joint ventures held for sale, and to changes in interests held in associates and joint ventures. The Company will account for its equity investment in Calendar Club under IAS 28 beginning in fiscal 2014.

Risks and Uncertainties

Competition

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

The digital book industry is also highly competitive and is undergoing rapid growth. The number of retailers selling eBooks has increased, as have the number of retailers selling eReaders. The technology continues to change, with eReader technology gaining popularity on tablets and mobile devices and new eReading devices being released with expanded capabilities. As the digital book industry continues to expand and change, increased eBook sales continue to negatively impact physical book sales. As eBooks are priced lower than physical books, consumers may reduce their future purchases of physical books in favour of eBooks, which could reduce the Company's revenues.

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

Company Transformation

As customers shift spending toward eBooks, the Company continues to adjust its merchandise mix to grow general merchandise categories to offset the erosion of physical book sales and margins. The general merchandise retail landscape contains a significant amount of competition from established retailers and there can be no assurances that the Company will be able to gain market share. Furthermore, the Company's expansion into new markets and general merchandise could place a significant strain on Indigo's management, operations, technical performance, financial resources, and internal financial control and reporting functions. The Company will continue to change and modify this strategy and there can be no assurances that the Company's strategy will be successful.

Relationships with Suppliers

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

Inventory Management

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

Product Quality and Product Safety

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

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

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

Leases

The average unexpired lease term of Indigo's superstores and small format stores is approximately 2.9 years and 2.5 years, respectively. The Company attempts to renew these leases as they come due on favourable terms and conditions, but is susceptible to volatility in the market for supercentre and shopping mall space. Unforeseen increases in occupancy costs, or costs incurred as a result of unanticipated store closing and relocation could unfavourably impact the Company's performance.

Technology and Online

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

Dependence on Key Personnel

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

Economic Environment

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

External Events

Weather conditions, as well as events such as political or social unrest, natural disasters, disease outbreaks, or acts of terrorism, could have a material adverse effect on the Company's financial performance. Moreover, if such events were to occur at peak times in the Company's annual business cycle, the impact of these events on operating performance could be significantly

greater than they would otherwise have been. The Company has procedures in place to reduce the impact of business interruptions, crises, and potential disasters, but there can be no assurance that these procedures can fully eliminate the negative impact of such events.

Regulatory Environment

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

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

Credit, Foreign Exchange, and Interest Rate Risks

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

The Company's foreign exchange risk from continuing operations is largely limited to currency fluctuations between the Canadian and U.S. dollar. Decreases in the value of the Canadian dollar relative to the U.S. dollar could negatively impact net earnings since the purchase price of some of the Company's products are negotiated with vendors in U.S. dollars, while the retail price to our customers is set in Canadian dollars.

The Company's interest rate risk is limited to the fluctuation of floating rates on its revolving line of credit. Since the Company does not intend to draw on its revolving line of credit in the current year, it does not consider its exposure to interest rate risk to be material. The Company does not use any interest rate swaps to fix the floating interest rate on its line of credit.

Legal Proceedings

In the normal course of business, Indigo becomes involved in various claims and litigation. While the final outcome of such claims and litigation pending as at March 30, 2013 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company's financial position.

Trademark and Brand Protection

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

Workplace Health and Safety

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

Compliance with Privacy Laws

In Canada, the *Personal Information Protection and Electronic Documents Act* ("PIPEDA") was passed into law by the federal government effective as of January 1, 2001. Currently, this law applies to all organizations that collect, use, or disclose personal information in the course of commercial activities, except to the extent that provincial privacy legislation has been enacted and declared substantially similar to the federal legislation. To date, certain provinces have enacted "substantially similar" private sector privacy legislation. The federal privacy legislation also regulates the inter-provincial collection, use and disclosure of personal information. Applicable Canadian privacy laws create certain obligations on organizations that handle personal information, including obligations relating to obtaining appropriate consent, limitations on use and disclosure of personal information and ensuring appropriate security safeguards are in place. In the course of its business, the Company maintains records containing sensitive information identifying or relating to individual customers and employees. Although the Company has implemented systems to comply with applicable privacy laws in connection with the collection, use and disclosure of such personal information, if a significant failure of such systems was to occur, the Company's business and reputation could be adversely affected.

Disclosure Controls and Procedures

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

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," the CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of such disclosure controls and procedures. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at March 30, 2013.

Internal Controls over Financial Reporting

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

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

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," the CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of such internal controls over financial reporting using the framework established in the Internal Control – Integrated Framework ("COSO Framework") published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at March 30, 2013.

Changes in Internal Controls over Financial Reporting

Management has also evaluated whether there were changes in the Company's internal controls over financial reporting that occurred during the period beginning on December 30, 2012 and ended on March 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company has determined that no material changes in internal controls over financial reporting have occurred in this period.

Cautionary Statement Regarding Forward-Looking Statements

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

Non-IFRS Financial Measures

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

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

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

(millions of Canadian dollars)	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012
EBITDA	**30.0**	26.4
Depreciation of property, plant and equipment	**(17.8)**	(18.4)
Amortization of intangible assets	**(10.2)**	(8.2)
Net impairment of capital assets	**(0.3)**	(4.0)
Impairment of goodwill	**–**	(25.4)
Interest on long-term debt and financing charges	**(0.1)**	(0.2)
Interest income on cash and cash equivalents	**2.6**	0.5
Earnings (loss) before income taxes	**4.2**	(29.3)

Independent Auditors' Report

To the Shareholders of Indigo Books & Music Inc.

We have audited the accompanying consolidated financial statements of Indigo Books & Music Inc., which comprise the consolidated balance sheets as at March 30, 2013 and March 31, 2012, and the consolidated statements of earnings and comprehensive earnings, changes in equity and cash flows for the 52 week periods then ended March 30, 2013 and March 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

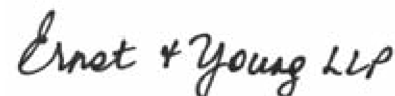
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Indigo Books & Music Inc. as at March 30, 2013 and March 31, 2012 and its financial performance and its cash flows for the 52-week periods then ended March 30, 2013 and March 31, 2012 in accordance with International Financial Reporting Standards.



Toronto, Canada
May 28, 2013

Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

(thousands of Canadian dollars)	As at March 30, 2013	As at March 31, 2012
ASSETS		
Current		
Cash and cash equivalents (note 6)	**211,701**	207,601
Accounts receivable	**7,180**	12,627
Inventories (note 7)	**216,916**	229,706
Prepaid expenses	**4,235**	3,695
Total current assets	**440,032**	453,629
Property, plant and equipment (note 8)	**59,319**	67,464
Intangible assets (note 9)	**22,164**	22,810
Deferred tax assets (note 10)	**48,731**	48,633
Total assets	**570,246**	592,536
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 20)	**151,283**	174,201
Unredeemed gift card liability (note 20)	**47,169**	42,711
Provisions (note 11)	**2,168**	232
Deferred revenue	**13,733**	11,234
Income taxes payable	**11**	65
Current portion of long-term debt (notes 12 and 18)	**773**	1,060
Total current liabilities	**215,137**	229,503
Long-term accrued liabilities (note 20)	**4,004**	5,800
Long-term provisions (note 11)	**78**	460
Long-term debt (notes 12 and 18)	**705**	1,141
Total liabilities	**219,924**	236,904
Equity		
Share capital (note 13)	**203,805**	203,373
Contributed surplus (note 14)	**8,128**	7,039
Retained earnings	**138,389**	145,220
Total equity	**350,322**	355,632
Total liabilities and equity	**570,246**	592,536

See accompanying notes

On behalf of the Board:

Heather Reisman
Director

Michael Kirby
Director

Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

(thousands of Canadian dollars, except per share data)	52-week period ended March 30, 2013	52-week period ended March 31, 2012
Revenues	**892,458**	933,990
Cost of sales	**(500,681)**	(544,924)
Gross profit	**391,777**	389,066
Operating, selling and administrative expenses (notes 8, 9 and 15)	**(390,080)**	(418,701)
Operating earnings (loss)	**1,697**	(29,635)
Interest on long-term debt and financing charges	**(116)**	(153)
Interest income on cash and cash equivalents	**2,609**	460
Earnings (loss) before income taxes	**4,190**	(29,328)
Income tax recovery (expense) (note 10)		
Current	**–**	(71)
Deferred	**98**	1,572
Earnings (loss) and comprehensive earnings (loss) for the period from continuing operations	**4,288**	(27,827)
Earnings and comprehensive earnings for the period from discontinued operations (net of tax) (note 23)	**–**	94,016
Net earnings and comprehensive earnings for the period	**4,288**	66,189
Net earnings (loss) and comprehensive earnings (loss) attributable to:		
Shareholders of Indigo	**4,288**	92,664
Non-controlling interest (note 23)	**–**	(26,475)
Net earnings (loss) per common share from continuing operations		
Basic	**$0.17**	$(1.10)
Diluted	**$0.17**	$(1.10)
Net earnings per common share from discontinued operations (note 23)		
Basic	**–**	$4.78
Diluted	**–**	$4.73
Net earnings per common share (note 16)		
Basic	**$0.17**	$3.68
Diluted	**$0.17**	$3.64

See accompanying notes

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance, April 2, 2011	202,220	6,066	48,629	256,915	10,448	267,363
Earnings (loss) for the 52-week period ended March 31, 2012	–	–	92,664	92,664	(26,475)	66,189
Exercise of options (notes 13 and 14)	749	(164)	–	585	–	585
Directors' deferred share units converted (note 13)	404	(404)	–	–	–	–
Stock-based compensation (note 14)	–	1,041	–	1,041	9,224	10,265
Directors' compensation (note 14)	–	500	–	500	–	500
Dividends paid (note 13)	–	–	(11,090)	(11,090)	–	(11,090)
Acquisition of non-capital tax losses (note 22)	–	–	15,017	15,017	–	15,017
Issuance of equity securities by subsidiary to non-controlling interest	–	–	–	–	21,345	21,345
Sale of subsidiary (note 23)	–	–	–	–	(14,542)	(14,542)
Balance, March 31, 2012	203,373	7,039	145,220	355,632	–	355,632
Balance, March 31, 2012	**203,373**	**7,039**	**145,220**	**355,632**	**–**	**355,632**
Earnings for the 52-week period ended March 30, 2013	**–**	**–**	**4,288**	**4,288**	**–**	**4,288**
Exercise of options (notes 13 and 14)	**417**	**(85)**	**–**	**332**	**–**	**332**
Directors' deferred share units converted (note 13)	**15**	**(15)**	**–**	**–**	**–**	**–**
Stock-based compensation (note 14)	**–**	**743**	**–**	**743**	**–**	**743**
Directors' compensation (note 14)	**–**	**446**	**–**	**446**	**–**	**446**
Dividends paid (note 13)	**–**	**–**	**(11,119)**	**(11,119)**	**–**	**(11,119)**
Balance, March 30, 2013	**203,805**	**8,128**	**138,389**	**350,322**	**–**	**350,322**

See accompanying notes

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	52-week period ended March 30, 2013	52-week period ended March 31, 2012 (restated – note 23)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss) from continuing operations for the period	**4,288**	(27,827)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment (note 8)	**17,838**	18,416
Amortization of intangible assets (note 9)	**10,245**	8,243
Net impairment of capital assets (note 8)	**250**	3,956
Impairment of goodwill (note 24)	**–**	25,416
Loss on disposal of capital assets	**65**	124
Stock-based compensation (note 14)	**743**	1,041
Directors' compensation (note 14)	**446**	500
Deferred tax assets (note 10)	**(98)**	(1,572)
Other	**(443)**	(205)
Net change in non-cash working capital balances related to continuing operations (note 17)	**1,408**	16,925
Interest on long-term debt and financing charges	**116**	153
Interest income on cash and cash equivalents	**(2,609)**	(460)
Income taxes received (paid)	**32**	(325)
Operating cash flows of discontinued operations (note 23)	**–**	(56,878)
Cash flows from (used in) operating activities	**32,281**	(12,493)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-capital tax losses (note 22)	**–**	(10,559)
Purchase of property, plant and equipment (note 8)	**(9,521)**	(12,141)
Addition of intangible assets (note 9)	**(9,621)**	(8,553)
Interest received	**2,676**	526
Cash disposal resulting from sale of subsidiary (note 23)	**–**	(33,033)
Proceeds from sale of subsidiary (note 23)	**–**	148,941
Investing cash flows of discontinued operations (note 23)	**–**	(8,884)
Cash flows from (used in) investing activities	**(16,466)**	76,297
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	**(1,200)**	(1,367)
Interest paid	**(160)**	(245)
Proceeds from share issuances (note 13)	**332**	585
Dividends paid	**(11,119)**	(11,090)
Purchase of shares in subsidiary (note 23)	**–**	(3,009)
Financing cash flows of discontinued operations (note 23)	**–**	74,819
Cash flows from (used in) financing activities	**(12,147)**	59,693
Effect of foreign currency exchange rate changes on cash and cash equivalents	**432**	443
Net increase in cash and cash equivalents during the period	**4,100**	123,940
Cash and cash equivalents, beginning of period	**207,601**	83,661
Cash and cash equivalents, end of period	**211,701**	207,601

See accompanying notes

Notes to Consolidated Financial Statements

March 30, 2013

1. CORPORATE INFORMATION

Indigo Books & Music Inc. (the "Company" or "Indigo") is a corporation domiciled and incorporated under the laws of the Province of Ontario in Canada. The Company's registered office is located at 468 King Street West, Toronto, Ontario, M5V 1L8, Canada. The consolidated financial statements of the Company comprise the Company, its former subsidiary, Kobo Inc. ("Kobo") and its joint venture interest in Calendar Club of Canada Limited Partnership ("Calendar Club"). Kobo was a subsidiary of the Company until January 10, 2012 and, subsequently, the Company closed on the sale of its full interest in Kobo on January 11, 2012. The Company is the ultimate parent of the consolidated organization.

2. NATURE OF OPERATIONS

Indigo is Canada's largest book, gift and specialty toy retailer and was formed as a result of an amalgamation of Chapters Inc. and Indigo Books & Music, Inc. under the laws of the Province of Ontario, pursuant to a Certificate of Amalgamation dated August 16, 2001. The Company operates a chain of retail bookstores across all 10 provinces and one territory in Canada, including 97 superstores (2011 – 97) under the *Chapters*, *Indigo* and the *World's Biggest Bookstore* names, as well as 134 small format stores (2012 – 143) under the banners *Coles*, *Indigo*, *Indigospirit*, *SmithBooks*, and *The Book Company*. The Company operates *indigo.ca*, an e-commerce retail destination which sells books, gifts, toys, and paper products. The Company also operates seasonal kiosks and year-round stores in shopping malls across Canada through Calendar Club.

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

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

3. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were approved by the Company's Board of Directors on May 28, 2013.

Use of judgment

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

Impairment

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

Intangible assets

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

Leases

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

Deferred tax assets

The recognition of deferred tax assets is based on the Company's judgment. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses and for specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by the Company based on the specific facts and circumstances.

Use of estimates

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

Revenues

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

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

Inventories

The future realization of the carrying amount of inventory is affected by future sales demand, inventory levels, and product quality. The Company reduces inventory for estimated shrinkage that has occurred between physical inventory counts and records reserves for slow-moving or damaged products and for products that have been permanently marked down based on these assumptions. The Company reviews the reserves regularly and assesses whether they are appropriate based on actual experience. In addition, the Company records a vendor settlement accrual to cover any disputes between the Company and its vendors. The Company estimates this reserve based on historical experience of settlements with its vendors.

Share-based payments

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

Impairment

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of measurement

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When the Company does not own all of the equity in a subsidiary, the non-controlling interest is disclosed as a separate line item in the consolidated balance sheets and the earnings accruing to non-controlling interest holders is disclosed as a separate line item in the consolidated statements of earnings (loss) and comprehensive earnings (loss).

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intercompany balances and transactions and any unrealized gains and losses arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

Investment in joint venture

The Company has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Company recognizes its interest in the joint venture using the proportionate consolidation method. The Company combines its proportionate share of the assets, liabilities, income, and expenses of the joint venture with similar items, line by line, in its consolidated financial statements.

The financial statements of the joint venture are prepared for the same reporting period and follow the same accounting policies as the Company.

Adjustments are made in the consolidated financial statements to eliminate the Company's share of intercompany balances and transactions and any unrealized income and expenses arising from transactions between the Company and its jointly controlled entity. The joint venture is proportionately consolidated until the date on which the Company ceases to have joint control over the joint venture.

Cash and cash equivalents

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

Inventories

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

Prepaid expenses

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

Income taxes

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

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

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

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

Property, plant and equipment

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

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

The following useful lives are applied:

Furniture, fixtures and equipment	5 – 10 years
Computer equipment	3 – 5 years
Equipment under finance lease	3 – 5 years
Leasehold improvements	over the lease term to a maximum of 10 years

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

Leased assets

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

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. If there is no reasonable certainty that the Company will obtain ownership of the financed asset at the end of the lease term, the asset is depreciated over the shorter of its estimated useful life or the lease term. The corresponding long-term debt is reduced by lease payments less interest paid. Interest payments are expensed as part of interest on long-term debt and financing charges on the consolidated statements of earnings (loss) and comprehensive earnings (loss) over the period of the lease. As at March 30, 2013 and March 31, 2012, computer equipment assets are the only type of asset leased under finance lease arrangements.

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

The Company performs quarterly assessments of contracts which do not take the legal form of a lease to determine whether they convey the right to use an asset in return for a payment or series of payments and therefore need to be accounted for as leases. As at March 30, 2013 and March 31, 2012, the Company had no such contracts.

Leased premises

The Company conducts all of its business from leased premises. Leasehold improvements are depreciated over the lesser of their economic life or the initial lease term plus renewal periods where renewal has been determined to be reasonably assured ("lease term"). Leasehold improvements are assessed for impairment as detailed in the accounting policy note on impairment. Leasehold improvement allowances are depreciated over the lease term. Other inducements, such as rent-free periods, are amortized into earnings over the lease term, with the unamortized portion recorded in current and long-term accounts payable and accrued liabilities. As at March 30, 2013 and March 31, 2012, all of the Company's leases on premises were

accounted for as operating leases. Expenses incurred for leased premises include base rent, taxes, and contingent rent based upon a percentage of sales.

Intangible assets

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

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

The following useful lives are applied:

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

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

Computer application software

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

Internal development costs

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

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to the net identifiable assets, including intangible assets, acquired at the date of acquisition. Goodwill is carried at cost less any disposals and any accumulated impairment losses. Goodwill is allocated to the lowest level at which it is monitored for internal management purposes and is not larger than an operating segment before aggregation. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the determination of any gain or loss on disposal. Goodwill is not amortized, but is subject to review for impairment as detailed in the accounting policy note on impairment.

Impairment testing

Capital assets

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

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

Goodwill

Goodwill is allocated at the operating segment level, which represents the lowest level within the Company at which management monitors goodwill. Goodwill is tested for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events or changes in circumstances which may indicate impairment include: a significant change to the Company's operations; a significant decline in performance; or a change in market conditions which adversely affects the Company.

An impairment loss is recognized for the amount by which the carrying amount of the operating segment exceeds its recoverable amount. To determine the recoverable amount, management determines the present value of the expected future cash flows from each reporting unit based on the Company's estimated growth rate. The Company's growth rate and future cash flows are based on historical data and management's expectations. Previously recognized goodwill impairment losses are not subsequently reversed if conditions change.

Financial assets

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

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

Provisions

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

Deferred financing fees

Financing fees relate to the Company's line of credit and are amortized on a straight-line basis, which approximates the effective yield method, over the term of the respective indebtedness. When funds have been drawn against this facility, the Company's line of credit is presented on the consolidated balance sheets net of financing fees. If the line of credit has not been drawn upon, then financing fees are netted against long-term debt.

Borrowing costs

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

Total equity

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

Share-based awards

The Company has established an employee stock option plan for key employees. The fair value of each tranche of options granted is estimated on grant date using the Black-Scholes option pricing model. The grant date fair value, net of estimated forfeitures, is recognized as an expense with a corresponding increase to contributed surplus over the vesting period. Estimates are subsequently revised if there is an indication that the number of stock options expected to vest differs from previous estimates. Any consideration paid by employees on exercise of stock options is credited to share capital with a corresponding reduction to contributed surplus.

For share-based awards which allow the counterparty to choose whether the awards will be settled in cash or in shares, the Company measures the fair value of these awards using the Black-Scholes option pricing model at grant date. Fair value is remeasured at each reporting date and at settlement date. The fair value of settlement in cash is the same as the fair value of settlement in shares. The fair value is recognized as an expense with a corresponding increase in liabilities over the period that the counterparties become unconditionally entitled to the awards. If the Company issues equity instruments on settlement instead of paying cash, the liability shall be transferred directly to share capital as consideration for the equity instruments issued.

Revenues

The Company recognizes revenue when the substantial risks and rewards of ownership pass to the customer. Revenue is measured at the fair value of consideration received or receivable by the Company for goods supplied, inclusive of amounts invoiced for shipping, and net of sales discounts, returns and amounts deferred related to the issuance of Plum points. Return allowances

are estimated using historical experience. Revenue is recognized when: the amount can be measured reliably; it is probable that economic benefits associated with the transaction will flow to the Company; the costs incurred or to be incurred can be measured reliably; and the criteria for each of the Company's activities (as described below) have been met.

Retail sales

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

Online sales

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

Commission revenue

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

Gift cards

The Company sells gift cards to its customers and recognizes the revenue as gift cards are redeemed. The Company also recognizes gift card breakage if the likelihood of gift card redemption by the customer is considered to be remote. The Company determines its average gift card breakage rate based on historical redemption rates. Once the breakage rate is determined, the resulting revenue is recognized over the estimated period of redemption based on historical redemption patterns, commencing when the gift cards are sold. Gift card breakage is included in revenues in the Company's consolidated statements of earnings (loss) and comprehensive earnings (loss).

Indigo irewards loyalty program

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

Indigo plum rewards program

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

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

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

Interest income

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

Vendor rebates

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

Discontinued operations

A discontinued operation is a component of the Company that represents a separate major line of business which has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies a component of its business as a discontinued operation, certain comparative figures are reclassified to conform to the current period's presentation. The Company excludes the results of the discontinued operation, along with any gain or loss from disposal, from the operating results of continuing operations. Results of the discontinued operation, along with any gain or loss from disposal, are separately presented as operations and cash flows of the discontinued operation.

Where the discontinued operation has not yet been disposed of and is a consolidated subsidiary of the Company, the assets and liabilities of the discontinued operation are classified on the consolidated balance sheets as assets and liabilities held for sale. The Company will continue to eliminate all intercompany transactions for a consolidated subsidiary until disposal occurs.

Earnings per share

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

Financial instruments

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

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

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

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

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

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

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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

All other balance sheet accounts are not financial instruments.

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

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

As at March 30, 2013, there are no financial instruments classified into these levels. The Company measures all financial instruments at amortized cost.

Retirement benefits

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

Foreign currency translation

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

Accounting Standards Implemented in Fiscal 2013

Income Taxes ("IAS 12")

An amendment to IAS 12 introduced an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment was effective for annual periods beginning on or after January 1, 2012. The amendment had no impact on the Company's consolidated financial statements as it has no investment properties.

Financial Instruments: Disclosures ("IFRS 7")

Amendments to IFRS 7 increased the disclosure requirements for transactions involving transfers of financial assets. These amendments are effective for annual periods beginning on or after July 1, 2011. The amendments had no impact on the Company's disclosures as it has no transfers of financial assets.

5. NEW ACCOUNTING PRONOUNCEMENTS

Presentation of Financial Statements ("IAS 1")

The IASB has issued amendments to IAS 1 which will require companies to group together items within other comprehensive earnings which may be reclassified to net earnings. The amendments are effective for annual periods beginning on or after July 1, 2012 and must be applied retrospectively. The Company will apply these amendments beginning in the first quarter of fiscal 2014. The Company does not expect implementation of these amendments to have an impact on its consolidated financial statements.

Financial Instruments: Disclosures ("IFRS 7")

The IASB has issued amendments to IFRS 7 regarding the offsetting of financial instruments. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Company will apply these amendments beginning in the first quarter of fiscal 2014. The Company does not expect implementation of these amendments to have a significant impact on its consolidated financial statements.

Financial Instruments: Presentation ("IAS 32")

The IASB has issued amendments to IAS 32 that clarify its requirements for offsetting financial instruments. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2014. The Company will apply these amendments beginning in the first quarter of fiscal 2015. The Company does not expect implementation of these amendments to have a significant impact on its consolidated financial statements.

Financial Instruments ("IFRS 9")

The IASB has issued a new standard, IFRS 9, which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. Issuance of IFRS 9 is part of the first phase of the IAS 39 replacement project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive earnings instead of net earnings unless this would create an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 and must be applied retrospectively. The Company is assessing the impact of the new standard on its consolidated financial statements.

Other Standards

On May 12, 2011, the IASB issued four new standards along with amendments to two standards, all of which are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, but the new standards and amendments must all be adopted concurrently, with the exception of IFRS 12, "Disclosure of Interests in Other Entities," which may be early adopted on its own. All of the new standards and amendments must be applied retrospectively. The Company will adopt these new standards and amendments in the first quarter of fiscal 2014. The following is a list and description of these new standards and amendments:

- Consolidated Financial Statements ("IFRS 10") replaces portions of IAS 27, "Consolidated and Separate Financial Statements" and supersedes SIC-12, "Consolidation – Special Purpose Entities," and establishes standards for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. IFRS 10 establishes a single control model that requires an entity to consolidate an investee when it has power, exposure to variability in returns and has the ability to use its power over the investee to affect its returns, regardless of whether voting rights are present. Kobo was the only entity which would have been consolidated by the Company under this standard and the sale of Kobo closed on January 11, 2012. As such, adoption of IFRS 10 will have no impact on the consolidated financial statements;
- Joint Arrangements ("IFRS 11") replaces IAS 31, "Interests in Joint Ventures" ("IAS 31") and SIC-13, "Jointly-controlled Entities – Non-monetary Contributions by Venturers," and requires that a party in a joint arrangement assess its rights and obligations to determine the type of joint arrangement and account for those rights and obligations accordingly. IFRS 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, jointly-controlled entities that meet the definition of a joint venture must be accounted for using the equity method. Currently, the Company accounts for its interest in Calendar Club under IAS 31 using proportionate consolidation. However, the Company has concluded that its interest in Calendar Club will not meet the definition of a joint arrangement under IFRS 11 and will need to be accounted for under "Investments in Associates and Joint Ventures" ("IAS 28") as a significant investment using the equity method beginning in fiscal 2014. As part of the transition to IAS 28, beginning in fiscal 2014 the Company will retrospectively restate its comparative financial statements to reclassify proportionately consolidated Calendar Club operating results into a single equity investment line. These restatements will have no impact to the Company's total net earnings (loss).
- Disclosure of Interests in Other Entities ("IFRS 12") includes all of the disclosures that were previously in IAS 27, "Separate Financial Statements," IAS 31 and IAS 28, "Investments in Associates." These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates, and structured entities. Under IFRS 12, an entity is required to disclose the judgments made to determine whether it controls another entity. This new standard is expected to increase disclosures related to Calendar Club;

- Fair Value Measurement ("IFRS 13") provides guidance to improve consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy. This standard applies when another IFRS standard requires or permits fair value measurements or disclosures. IFRS 13 does not apply for share-based payment transactions, leasing transactions and measurements that are similar to, but are not, fair value. The Company has no financial or non-financial items which are measured at fair value. As such, this standard is not expected to have an impact on the Company's consolidated financial statements;
- Separate Financial Statements ("IAS 27") has been amended to remove all requirements relating to consolidated financial statements. Prior to this amendment, the Company applied IAS 27 to the preparation of its consolidated financial statements. However, as Indigo does not prepare separate financial statements, the amended IAS 27 will not be applicable to the Company; and
- Investments in Associates and Joint Ventures ("IAS 28") has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. The amendments to IAS 28 relate to accounting for associates and joint ventures held for sale, and to changes in interests held in associates and joint ventures. The Company will account for its equity investment in Calendar Club under IAS 28 beginning in fiscal 2014.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

(thousands of Canadian dollars)	**March 30, 2013**	March 31, 2012
Cash	**89,407**	87,082
Restricted cash	**470**	487
Cash equivalents	**121,824**	120,032
Cash and cash equivalents	**211,701**	207,601

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

7. INVENTORIES

Inventories consist of finished goods. The cost of inventories recognized as an expense was $505.1 million in fiscal 2013 (2012 – $600.4 million). The amount of inventory write-downs as a result of net realizable value lower than cost was $3.9 million in fiscal 2013 (2012 – $10.5 million), and there were no reversals of inventory write-downs that were recognized in fiscal 2013 (2012 – nil). The amount of inventory with net realizable value equal to cost was $1.4 million as at March 30, 2013 (2012 – $1.7 million).

8. PROPERTY, PLANT AND EQUIPMENT

(thousands of Canadian dollars)	Furniture, fixtures and equipment	Computer equipment	Leasehold improvements	Equipment under finance leases	Total
Gross carrying amount					
Balance, April 2, 2011	59,007	18,335	56,005	6,555	139,902
Additions	5,353	2,104	4,787	253	12,497
Transfers/reclassifications	75	(300)	229	–	4
Disposals	(193)	(12)	(86)	(662)	(953)
Assets with zero net book value	(4,355)	(3,059)	(1,944)	–	(9,358)
Asset activity related to discontinued operations	61	416	36	1,429	1,942
Disposal of discontinued operations	(214)	(1,728)	(254)	(1,429)	(3,625)
Balance, March 31, 2012	59,734	15,756	58,773	6,146	140,409
Additions	**4,376**	**2,439**	**2,706**	**465**	**9,986**
Transfers / reclassifications	**(4)**	**(411)**	**415**	**–**	**–**
Disposals	**(161)**	**(20)**	**(110)**	**(2,976)**	**(3,267)**
Assets with zero net book value	**(5,113)**	**(3,279)**	**(5,015)**	**–**	**(13,407)**
Balance, March 30, 2013	**58,832**	**14,485**	**56,769**	**3,635**	**133,721**
Accumulated depreciation and impairment					
Balance, April 2, 2011	26,363	8,716	23,007	3,039	61,125
Depreciation	5,446	3,383	8,032	1,555	18,416
Transfers/reclassifications	–	191	(84)	–	107
Disposals	(151)	(11)	(63)	(662)	(887)
Net impairment losses and reversals	1,584	78	2,294	–	3,956
Assets with zero net book value	(4,355)	(3,059)	(1,944)	–	(9,358)
Asset activity related to discontinued operations	15	418	26	50	509
Disposal of discontinued operations	(24)	(821)	(28)	(50)	(923)
Balance, March 31, 2012	28,878	8,895	31,240	3,932	72,945
Depreciation	**5,408**	**3,092**	**8,129**	**1,209**	**17,838**
Transfers / reclassifications	**–**	**5**	**(5)**	**–**	**–**
Disposals	**(130)**	**(9)**	**(109)**	**(2,976)**	**(3,224)**
Net impairment losses and reversals	**–**	**–**	**250**	**–**	**250**
Assets with zero net book value	**(5,113)**	**(3,279)**	**(5,015)**	**–**	**(13,407)**
Balance, March 30, 2013	**29,043**	**8,704**	**34,490**	**2,165**	**74,402**
Net carrying amount					
March 31, 2012	30,856	6,861	27,533	2,214	67,464
March 30, 2013	**29,789**	**5,781**	**22,279**	**1,470**	**59,319**

Capital assets are assessed for impairment at the CGU level, except for those capital assets which are either considered to be corporate assets, or capital assets which belong to Calendar Club. As certain corporate assets cannot be allocated on a reasonable and consistent basis to individual CGUs, they are tested for impairment at the corporate level. Separate impairment tests are performed for Calendar Club. Last year, a separate impairment test was also performed for Kobo.

A CGU has been defined as an individual retail store, as each store generates cash flows that are largely independent from the cash flows of other stores. CGUs and groups of CGUs are tested for impairment if impairment indicators exist at the reporting date. Recoverable amounts for CGUs being tested are based on value in use, which is calculated from discounted cash flow projections over the remaining lease terms, plus any renewal options where renewal is likely. Corporate asset testing calculates discounted cash flow projections over a seven-year period.

The key assumptions from the value in use calculations are those regarding growth rates and discount rates. The cash flow projections are based on both past and forecasted performance and are extrapolated using long-term growth rates which are calculated separately for each CGU being tested. Average long-term growth rates for impairment testing ranged from 0.0% to 3.0% (2012 – 0.0% to 3.0%). Management's estimate of the discount rate reflects the current market assessment of the time value of money and the risks specific to the Company. The pre-tax discount rate used to calculate value in use was 21.9% (2012 – 22.0%).

Impairment indicators were identified during fiscal 2013 for Indigo's retail stores and corporate assets. Accordingly, the Company performed impairment testing, which resulted in the recognition and reversal of impairment losses for Indigo's retail stores only. Impairment losses recognized were $1.3 million in fiscal 2013 (2012 – $4.8 million) and are spread across a number of CGUs. The impairment losses relate to CGUs whose carrying amounts exceed their recoverable amounts. In all cases, impairment losses arose due to stores performing at lower-than-expected profitability. Impairment reversals recognized were $1.0 million in fiscal 2013 (2012 – $0.8 million). Impairment reversals arose due to improved store performance and the likelihood of lease term renewals. All of the impairment losses and reversals related to Indigo's continuing operations.

9. INTANGIBLE ASSETS

(thousands of Canadian dollars)	Computer application software	Internal development costs	Domain name	Total
Gross carrying amount				
Balance, April 2, 2011	32,093	15,016	303	47,412
Additions	5,010	3,440	–	8,450
Transfers / reclassifications	(4)	–	–	(4)
Disposals	–	(66)	–	(66)
Assets with zero net book value	(4,733)	(3,585)	–	(8,318)
Asset activity related to discontinued operations	2,088	6,263	22	8,373
Disposal of discontinued operations	(10,525)	(8,990)	(325)	(19,840)
Balance, March 31, 2012	23,929	12,078	–	36,007
Additions	**5,936**	**3,685**	**–**	**9,621**
Transfers / reclassifications	**266**	**(266)**	**–**	**–**
Disposals	**(5)**	**(21)**	**–**	**(26)**
Assets with zero net book value	**(4,890)**	**(2,999)**	**–**	**(7,889)**
Balance, March 30, 2013	**25,236**	**12,477**	**–**	**37,713**
Accumulated amortization and impairment				
Balance, April 2, 2011	10,733	6,065	–	16,798
Amortization	5,076	3,167	–	8,243
Transfers / reclassifications	–	(107)	–	(107)
Disposals	(1)	(7)	–	(8)
Net impairment losses and reversals	1	–	–	1
Assets with zero net book value	(4,733)	(3,585)	–	(8,318)
Asset activity related to discontinued operations	216	5,516	–	5,732
Disposal of discontinued operations	(2,884)	(6,260)	–	(9,144)
Balance, March 31, 2012	8,408	4,789	–	13,197
Amortization	**6,567**	**3,678**	**–**	**10,245**
Disposals	**(2)**	**(2)**	**–**	**(4)**
Assets with zero net book value	**(4,890)**	**(2,999)**	**–**	**(7,889)**
Balance, March 30, 2013	**10,083**	**5,466**	**–**	**15,549**
Net carrying amount				
March 31, 2012	15,521	7,289	–	22,810
March 30, 2013	**15,153**	**7,011**	**–**	**22,164**

Last year, the domain name was part of Kobo's total assets. Useful life was deemed to be indefinite because there were no legal, regulatory, contractual, competitive, economic or other factors which limited the useful life of the domain name to Kobo. As a result of the sale of Kobo, Kobo assets were no longer consolidated as at March 31, 2012.

Impairment testing for intangible assets is performed using the same methodology, CGUs, and groups of CGUs as those used for property, plant and equipment. The key assumptions from the value in use calculations for intangible asset impairment testing are also identical to the key assumptions used for property, plant and equipment testing. Impairment and reversal indicators were identified during fiscal 2013 for Indigo's retail stores. Accordingly, the Company performed impairment and reversal testing but there were no intangible asset impairment losses or reversals in fiscal 2013 (2012 – $1,000 of impairment losses and nil reversals).

10. INCOME TAXES

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

(thousands of Canadian dollars)	**March 30, 2013**	March 31, 2012
Deferred tax assets		
Reserves and allowances	**2,990**	3,343
Tax loss carryforwards	**22,648**	25,620
Corporate minimum tax	**1,354**	1,354
Book amortization in excess of cumulative eligible capital deduction	**267**	285
Book amortization in excess of capital cost allowance	**21,472**	18,031
Total deferred tax assets	**48,731**	48,633

The Company has recorded deferred tax assets of $48.7 million pertaining to tax loss carryforwards and other deductible temporary differences based on management's best estimate of future taxable income that the Company expects to achieve from reviewing its latest approved forecast. The forecast of taxable income indicates the probable use of the deferred tax assets and, therefore, it was recognized in full.

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

(thousands of Canadian dollars)	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012
Current income tax expense		
Adjustment for prior periods	**–**	71
	–	71
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**(6,174)**	(675)
Deferred income tax expense relating to utilization of loss carryforwards	**7,745**	–
Adjustment to deferred tax assets resulting from increase in substantively enacted tax rate	**(1,636)**	–
Change in tax rates due to change in expected pattern of reversal	**(32)**	(905)
Other, net	**(1)**	8
	(98)	(1,572)
Total income tax recovery	**(98)**	(1,501)

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

(thousands of Canadian dollars)	52-week period ended March 30, 2013		52-week period ended March 31, 2012	
Earnings (loss) before income taxes	**4,190**		(29,328)	
Tax at combined federal and provincial tax rates	**1,102**	**26.3%**	(8,069)	27.5%
Tax effect of expenses not deductible for income tax purposes	**388**	**9.3%**	781	(2.7%)
Goodwill impairment not deductible for income tax purposes	**–**	**0.0%**	6,993	(23.8%)
Adjustment to deferred tax assets resulting from increase in substantively enacted tax rate	**(1,636)**	**(39.0%)**	–	0.0%
Change in tax rates due to change in expected pattern of reversal	**(32)**	**(0.8%)**	(1,206)	4.1%
Other, net	**80**	**1.9%**	–	0.0%
	(98)	**(2.3%)**	(1,501)	5.1%

The combined federal and provincial income tax rate used for fiscal 2013 is 26.3% (2012 – 27.5%). The rate has declined due to declining federal and provincial income tax rates.

As at March 30, 2013, the Company has combined non-capital loss carryforwards of approximately $86.1 million for income tax purposes that expire as follows if not utilized:

(thousands of Canadian dollars)	
2031	86,080

11. PROVISIONS

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

(thousands of Canadian dollars)	52-week period ended March 30, 2013	52-week period ended March 31, 2012
Balance, beginning of period	**692**	–
Charged	**1,814**	692
Utilized / released	**(260)**	–
Balance, end of period	**2,246**	692

12. COMMITMENTS AND CONTINGENCIES

(a) Commitments

As at March 30, 2013, the Company had the following commitments:

(i) Operating lease obligations

The Company had operating lease commitments in respect of its stores, support office premises and certain equipment. The leases expire at various dates between 2013 and 2022, and may be subject to renewal options. Annual store rent consists of a base amount plus, in some cases, additional payments based on store sales. The Company expects to generate $8.9 million of revenues from subleases related to these operating leases over the next eight fiscal years.

(ii) Finance lease obligations

The Company entered into finance lease agreements for certain equipment. The obligations under these finance leases is $1.5 million (2012 – $2.2 million), of which $0.8 million (2012 – $1.1 million) is included in the current portion of long-term debt. The remainder of the finance lease obligations have been included in the non-current portion of long-term debt.

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

(millions of Canadian dollars)	Operating leases	Finance leases	Total
2014	55.8	0.8	56.6
2015	40.6	0.5	41.1
2016	31.3	0.2	31.5
2017	24.0	–	24.0
2018	16.6	–	16.6
Thereafter	14.3	–	14.3
Total obligations	182.6	1.5	184.1

(b) Legal claims

In the normal course of business, the Company becomes involved in various claims and litigation. While the final outcome of such claims and litigation pending as at March 30, 2013 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company's financial position or financial performance, except for those amounts which have been recorded as provisions on the Company's consolidated balance sheets.

13. SHARE CAPITAL

Share capital consists of the following:

Authorized

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

Unlimited common shares, voting

	52-week period ended March 30, 2013		52-week period ended March 31, 2012	
	Number of shares	Amount C$ (thousands)	Number of shares	Amount C$ (thousands)
Balance, beginning of period	**25,238,414**	**203,373**	25,140,540	202,220
Issued during the period				
Directors' deferred share units converted	**1,075**	**15**	38,774	404
Options exercised	**57,900**	**417**	59,100	749
Balance, end of period	**25,297,389**	**203,805**	25,238,414	203,373

During fiscal 2013, the Company issued 1,075 common shares (2012 – 38,774 common shares) in exchange for Directors' deferred share units ("DSUs").

During fiscal 2013, the Company distributed dividends per share of $0.44 (2012 – $0.44).

14. SHARE-BASED COMPENSATION

The Company has established an employee stock option plan (the "Plan") for key employees. The number of common shares reserved for issuance under the Plan is 2,179,739. Most options granted between May 21, 2002 and March 31, 2012 have a ten-year term and have one fifth of the options granted exercisable one year after the date of issue with the remainder exercisable in equal instalments on the anniversary date over the next four years. Subsequently, most options granted after April 1, 2012 have a five-year term and have one third of the options granted exercisable one year after the date of issue with the remainder exercisable in equal instalments on the anniversary date over the next two years. A small number of options have special vesting schedules that were approved by the Board. Each option is exercisable into one common share of the Company at the price specified in the terms of the option agreement.

The Company uses the fair value method of accounting for stock options, which estimates the fair value of the stock options granted on the date of grant, net of estimated forfeitures, and expenses this value over the vesting period. During fiscal 2013, the pre-forfeiture fair value of options granted was $0.7 million (2012 – $0.7 million). The weighted average fair value of options issued in fiscal 2013 was $1.54 per option (2012 – $1.98 per option).

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

	52-week period ended March 30, 2013	52-week period ended March 31, 2012
Black-Scholes option pricing assumptions		
Risk-free interest rate	**1.2%**	1.8%
Expected volatility	**37.1%**	33.3%
Expected time until exercise	**3.0 years**	3.7 years
Expected dividend yield	**5.0%**	4.3%
Other assumptions		
Forfeiture rate	**24.9%**	23.5%

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

	52-week period ended March 30, 2013		52-week period ended March 31, 2012	
	Number #	Weighted average exercise price C$	Number #	Weighted average exercise price C$
Outstanding options, beginning of period	**1,372,400**	**13.64**	1,799,100	14.23
Granted	**430,000**	**8.63**	350,000	10.99
Forfeited	**(117,500)**	**12.97**	(717,600)	14.14
Exercised	**(57,900)**	**5.74**	(59,100)	9.89
Outstanding options, end of period	**1,627,000**	**12.64**	1,372,400	13.64
Options exercisable, end of period	**722,500**	**14.52**	574,900	13.88

Options outstanding and exercisable

	March 30, 2013				
	Outstanding			Exercisable	
Range of exercise prices C$	Number #	Weighted average exercise price C$	Weighted average remaining contractual life (in years)	Number #	Weighted average exercise price C$
4.45 – 8.13	**361,000**	**7.74**	**5.5**	**45,000**	**6.99**
8.14 – 13.38	**330,500**	**10.95**	**5.6**	**74,500**	**12.44**
13.39 – 15.00	**328,000**	**14.17**	**6.5**	**177,000**	**14.10**
15.01 – 15.51	**302,500**	**15.18**	**7.7**	**121,000**	**15.18**
15.52 – 16.75	**305,000**	**16.11**	**4.5**	**305,000**	**16.11**
4.45 – 16.75	**1,627,000**	**12.64**	**5.9**	**722,500**	**14.52**

Directors' compensation

The Company has established a Directors' Deferred Share Unit Plan ("DSU Plan"). Under the DSU Plan, Directors receive their annual retainer fees and other Board-related compensation in the form of deferred share units ("DSUs"). The number of shares reserved for issuance under this plan is 350,000. The Company issued 46,409 DSUs with a value of $0.4 million during fiscal 2013 (2012 – 56,273 DSUs with a value of $0.5 million). The number of DSUs to be issued to each Director is based on a set fee schedule. The fair value of the outstanding DSUs as at March 30, 2013 was $2.9 million (2012 – $2.5 million) and was recorded in contributed surplus. The fair value of DSUs is equal to the traded price of the Company's common shares on grant date.

Last year, the Company entered into agreements to allow one Indigo Director (who served on Kobo's Board) and one Kobo Director to purchase shares of Kobo. These agreements allowed for the purchase of up to 470,000 Kobo shares directly from Indigo and exercise prices ranged from $1.00 to $3.86 per share. As a result of the sale of Kobo to Rakuten Inc., the agreements were exercised in full and the holders received a cash payout of $1.7 million. There were no such agreements in fiscal 2013.

15. OPERATING AND ADMINISTRATIVE EXPENSES

Supplemental operating and administrative expenses information:

(thousands of Canadian dollars)	52-week period ended March 30, 2013	52-week period ended March 31, 2012
Wages, salaries and bonuses	**151,366**	154,279
Short-term benefits expense	**17,884**	17,793
Termination benefits expense	**3,482**	2,507
Retirement benefits expense	**1,224**	1,223
Stock-based compensation	**743**	1,041
Total employee benefits expense	**174,699**	176,843

Termination benefits arise when the Company terminates certain employment agreements.

Minimum lease payments recognized as an expense for the 52-week period ended March 30, 2013 were $62.7 million (2012 – $62.9 million). Contingent rents recognized as an expense for the 52-week period ended March 30, 2013 were $1.3 million (2012 – $1.7 million).

16. EARNINGS PER SHARE

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

	52-week period ended March 30, 2013	52-week period ended March 31, 2012
Weighted average number of common shares outstanding, basic	**25,270**	25,201
Effect of dilutive securities		
Stock options	**34**	33
Deferred share units	**285**	240
Weighted average number of common shares outstanding, diluted	**25,589**	25,474

As at March 30, 2013, 1,505,500 (2012 – 1,293,000) options could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net earnings per common share in the current period as they were anti-dilutive.

17. STATEMENTS OF CASH FLOWS

Supplemental cash flow information:

(thousands of Canadian dollars)	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012
Net change in non-cash working capital balances related to continuing operations:		
Accounts receivable	**5,447**	(4,649)
Inventories	**12,790**	2,748
Prepaid expenses	**(540)**	2,118
Income taxes payable	**(86)**	(245)
Accounts payable and accrued liabilities	**(24,714)**	14,589
Unredeemed gift card liability	**4,458**	1,720
Provisions	**1,554**	692
Deferred revenue	**2,499**	(48)
	1,408	16,925
Assets acquired under finance leases	**465**	253

18. CAPITAL MANAGEMENT

The Company's main objectives when managing capital are to safeguard its ability to continue as a going concern while maintaining adequate financial flexibility to invest in new business opportunities that will provide attractive returns to shareholders. The primary activities engaged by the Company to generate attractive returns include construction and related leasehold improvements of stores, the development of new business concepts, and investment in information technology and distribution capacity to support the online and retail networks. The Company's main sources of capital are its current cash position, cash flows generated from operations, a revolving line of credit, and long-term debt. The Company is able to draw $25.0 million from its revolving line of credit. As at March 30, 2013, the Company has no amounts drawn upon its revolving line of credit.

Cash flow is used to fund working capital needs, capital expenditures, debt service requirements, and dividend distributions to shareholders. There were no changes to these objectives during fiscal 2013.

In January 2012, the Company received US$146.1 million from the proceeds of the sale of Kobo to Rakuten Inc. To partially manage the foreign exchange risk related to this cash flow, the Company entered into a foreign currency forward contract in December 2011 with a settlement date in January 2012. The Company does not expect to enter into any other forward contracts in the foreseeable future.

Previously, the Company monitored its capital structure principally through measuring its total debt to equity ratio. Total debt is defined as the total of long-term debt (including the current portion). However, this ratio is no longer significant as the Company's total equity significantly exceeds its total debt and the ratio has been close to nil for the past five years. The Company now primarily manages its capital by monitoring its available cash balance to ensure that sufficient funds are available for long-term debt and interest payments over the next year.

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

(thousands of Canadian dollars)	March 30, 2013	March 31, 2012
Current portion of long-term debt	773	1,060
Long-term debt	705	1,141
Total debt	1,478	2,201
Total equity	350,322	355,632
Total capital under management	351,800	357,833

Last year, the Company also held $5.3 million of notes payable; these notes were used in the acquisition of related companies with non-capital tax losses. The notes were paid in full during fiscal 2012 and the Company had no notes payable outstanding as at March 31, 2012. The Company also held no notes payable during fiscal 2013.

19. FINANCIAL INSTRUMENTS

The Company had no financial instruments measured at fair value in fiscal 2013.

Last year, the Company entered into a foreign currency forward contract with a Canadian bank to partially manage the foreign exchange risk related to U.S. dollar proceeds from the sale of Kobo. This was a short-term contract with a settlement date in January 2012. This contract was classified as a financial asset and categorized as a Level 2 financial instrument. The fair value of the foreign currency forward contract was calculated by the bank using a valuation model and mid-market rates and was recorded as part of net earnings (loss) and comprehensive earnings (loss) from continuing operations.

20. FINANCIAL RISK MANAGEMENT

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

Foreign exchange risk

The Company's foreign exchange risk from continuing operations is largely limited to currency fluctuations between the Canadian and U.S. dollar. Decreases in the value of the Canadian dollar relative to the U.S. dollar could negatively impact net earnings since the purchase price of some of the Company's products are negotiated with vendors in U.S. dollars, while the retail price to customers is set in Canadian dollars. Last year, the Company entered into one foreign currency derivative contract to partially manage the foreign exchange risk related to U.S. dollar proceeds from the sale of Kobo. The Company does not expect to enter into any other forward contracts to manage foreign exchange risk from continuing operations.

As the Company expands its product selection to include a greater number of non-book items, foreign exchange risk has increased due to more purchases being denominated in U.S. dollars. A 10% appreciation or depreciation in the U.S. and Canadian dollar exchange rates during fiscal 2013 would have had an impact of $3.9 million (2012 – $4.8 million) on net earnings (loss) and comprehensive earnings (loss) from continuing operations.

In fiscal 2013, the effect of foreign currency translation on net earnings (loss) and comprehensive earnings (loss) from continuing operations was a gain of $0.2 million (2012 – gain of $0.1 million).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with the Company's financial assets or liabilities will fluctuate due to changes in market interest rates. The Company's interest rate risk is limited to the fluctuation of floating rates on its revolving line of credit. Since the Company does not intend to draw on its revolving line of credit in the coming year, it does not consider its exposure to interest rate risk to be material. The Company does not use any interest rate swaps to fix the floating interest rate on its line of credit.

Credit risk

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

Liquidity risk

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

The contractual maturities of the Company's current and long-term liabilities as at March 30, 2013 are as follows:

(thousands of Canadian dollars)	Payments due in the next 90 days	Payments due between 90 days and less than a year	Payments due after 1 year	Total
Accounts payable and accrued liabilities	119,975	31,308	–	151,283
Unredeemed gift card liability	47,169	–	–	47,169
Provisions	–	2,168	–	2,168
Current portion of long-term debt	–	773	–	773
Long-term accrued liabilities	–	–	4,004	4,004
Long-term provisions	–	–	78	78
Long-term debt	–	–	705	705
Total	167,144	34,249	4,787	206,180

21. JOINT VENTURE

The Company participates in a joint venture through a 50% equity ownership in Calendar Club to sell calendars, games, and gifts through seasonal kiosks and year-round stores.

The following tables represent the total assets, liabilities, revenues, expenses, and cash flows of Calendar Club along with the Company's proportionate share therein:

	Total		Proportionate share	
(thousands of Canadian dollars)	**March 30, 2013**	March 31, 2012	**March 30, 2013**	March 31, 2012
Current assets	**3,316**	2,798	**1,658**	1,399
Long-term assets	**831**	1,071	**416**	536
Current liabilities	**2,212**	1,948	**1,106**	974

	Total		Proportionate share	
(thousands of Canadian dollars)	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012
Revenue	**30,543**	30,748	**15,272**	15,374
Expenses	**27,914**	28,415	**13,957**	14,208
Net earnings	**2,629**	2,333	**1,315**	1,166
Cash flows provided by (used in)				
Operating activities	**3,668**	3,533	**1,834**	1,767
Investing activities	**(160)**	(90)	**(80)**	(45)
Financing activities	**(2,995)**	(2,875)	**(1,498)**	(1,438)
Net cash flow	**513**	568	**256**	284

22. RELATED PARTY TRANSACTIONS

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

Transactions with key management personnel

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

(thousands of Canadian dollars)	**52-week period ended March 30, 2013**	52-week period ended March 31, 2012
Wages, salaries, bonus and consulting	**4,085**	5,591
Short-term benefits expense	**246**	255
Termination benefits expense	**450**	–
Retirement benefits expense	**66**	54
Stock-based compensation	**443**	601
Directors' compensation	**446**	1,307
Total remuneration	**5,736**	7,808

Transactions with shareholders

During fiscal 2013, Indigo rented space to store a portion of the Company's holiday inventories and paid for assistance with international freight transportation and customs clearance. These transactions were with a public company controlled by Mr. Gerald W. Schwartz, who is also the controlling shareholder of Indigo. Indigo paid $0.2 million for these transactions. These transactions were in the normal course of business for both companies.

Last year, Indigo purchased two companies, the sole assets of which are certain tax losses, from a public company controlled by Mr. Gerald W. Schwartz, who is also the controlling shareholder of Indigo. Indigo acquired these companies with a total of $100.3 million of non-capital tax losses in exchange for total net cash consideration of $5.3 million and two notes payable totalling $5.3 million. The notes payable were non-interest bearing and were both due and repaid on March 31, 2012. The acquisitions included transaction costs shared between the two companies. As a result, the Company recorded a total deferred tax asset of $25.4 million and the difference of $15.0 million between the total net cash consideration and the total deferred tax asset was recorded directly to retained earnings.

Transactions with defined contribution retirement plan

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

Transactions with joint venture

The Company's Calendar Club joint venture is a seasonal operation which is dependent on the December holiday sales season to generate revenues. During the year, the Company loans cash to Calendar Club for working capital requirements and Calendar Club repays the loans once profits are generated in the third quarter. The net amount of these transactions for fiscal 2013 is nil (2012 – nil), as Calendar Club has repaid all loans as at March 30, 2013.

Transactions with subsidiaries

Indigo had no subsidiaries in fiscal 2013.

Last year, Kobo was a consolidated subsidiary of the Company from April 3, 2011 to January 10, 2012. On April 19, 2011, Kobo issued 6,743,486 shares to a syndicate of investors comprised of both existing shareholders and new investors. Indigo purchased 779,361 common shares for $3.0 million while the rest of the syndicate members purchased a total of 5,964,125 common shares for $23.0 million. As a result of these transactions, Indigo's ownership of Kobo decreased from 58.3% to 51.4%. Subsequently, on November 8, 2011, Indigo entered into an agreement with Rakuten, Inc. for Rakuten to acquire all the outstanding shares of Kobo on a fully diluted basis. The transaction closed on January 11, 2012 and, on that date, Kobo was no longer consolidated with the Company.

From April 3, 2011 to January 10, 2012, the Company earned revenue from Kobo through a revenue-sharing agreement, provided back office management services to Kobo, and purchased inventory from Kobo. For Indigo gift cards which are redeemed on Kobo's website, the Company pays Kobo for the value of the gift cards, less a commission fee. All related party transactions were recorded in the consolidated statements of earnings (loss) and comprehensive earnings (loss). The net amount of these transactions last year totalled $30.3 million paid by Indigo.

23. DISCONTINUED OPERATIONS

On November 8, 2011, Indigo entered into an agreement with Rakuten Inc. to acquire all the outstanding shares of Kobo on a fully diluted basis for an aggregate purchase price of US$315.0 million. The transaction was unanimously approved by the Board of Directors on November 8, 2011 and closed on January 11, 2012 following the satisfaction of all closing conditions. As a result of the sale, Kobo's operating results were classified as discontinued operations and the Company has no remaining non-controlling interest on the consolidated balance sheets. Indigo received net cash proceeds of US$146.1 million for the Kobo sale and recognized an accounting gain of $164.5 million, offset by a $16.3 million income tax expense, as part of

earnings from discontinued operations. This transaction involved both investing and financing activities. Net cash proceeds were originally recorded as cash flows from financing activities in the consolidated statements of cash flows last year but have been reclassified as investing activities for presentation purposes. The Company continued to eliminate all intercompany transactions until the sale was closed.

Below is a summary of Kobo's operating results, including the gain on sale of discontinued operations, which were included in the consolidated statements of earnings (loss) and comprehensive earnings (loss) last year:

(thousands of Canadian dollars)	52-week period ended March 31, 2012
Revenues	91,681
Expenses	(145,818)
Loss from discontinued operations	(54,137)
Gain on sale of discontinued operations	164,491
Income tax expense on sale of discontinued operations	(16,338)
Net earnings from discontinued operations (net of tax)	94,016
Net earnings (loss) from discontinued operations attributable to:	
Shareholders of Indigo	120,491
Non-controlling interest	(26,475)
	94,016

25. GOODWILL

The Company had no remaining goodwill balance in fiscal 2013.

Last year, impairment indicators were identified during the second quarter of fiscal 2012. At that time, the Company had two operating segments: Indigo and Kobo. Indigo segment performance was significantly lower than expected and the Company's market capitalization had declined significantly from fiscal 2011. These conditions, among other factors, indicated that goodwill may be impaired. As a result, the Company performed a goodwill impairment test which resulted in a full write-down of goodwill allocated to the Indigo segment. Unlike other asset impairments, goodwill impairment charges cannot be reversed once they are recorded.

The goodwill impairment test consisted of comparing the carrying value of assets within each CGU or group of CGUs to the recoverable amount of the CGU or group of CGUs. The group of CGUs used by the Company for impairment testing was at the operating segment level. The recoverable amount of the Indigo segment was measured by discounting the future cash flows expected to be generated. Cash flows were projected over one year plus a terminal value. The discounted cash flow model was based on actual operating results, detailed sales and cost forecasts, and long-term growth rates which are consistent with inflation and general retail industry averages. The carrying value of Indigo segment assets exceeded its recoverable amount, which resulted in a goodwill impairment charge of $25.4 million.

The key assumptions from the Indigo discounted cash flow model were those regarding growth rates and discount rates. Average growth rate used for the fiscal 2012 impairment test was 2.0% and the pre-tax discount rate was 22.0%.

Last year, the Company also performed an impairment test on the Kobo segment. The recoverable amount of the Kobo segment was based on the market capitalization of Kobo. There was no impairment identified for the goodwill allocated to the Kobo segment. However, the $1.2 million of goodwill allocated to the Kobo segment was subsequently disposed of in fiscal 2012 as part of the Kobo sale. As such, the Company had no remaining goodwill balance at the end of fiscal 2012.

Corporate Governance Policies

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

Executive Management and Board of Directors

EXECUTIVE MANAGEMENT

Heather Reisman
Chair & Chief Executive Officer

Kay Brekken
Chief Financial Officer

Kirsten Chapman
Executive Vice President, Online & Mobile

Laura Dunne
Senior Vice President, Human Resources & Organizational Development

Kathleen Flynn
General Counsel & Corporate Secretary

Joyce Gray
Group Executive Vice President, Consumer Experience & Print

Deirdre Horgan
Chief Marketing Officer

Tod Morehead
Executive Vice President & Group General Merchandise Manager

Mike Mortson
Executive Vice President, Supply Chain

Sumit Oberai
Chief Information Officer & Executive Vice President, Digital

BOARD OF DIRECTORS

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Chairman
Navantis Inc.

Jonathan Deitcher
Investment Advisor
RBC Dominion Securities Inc.

Mitchell Goldhar
President & Chief Executive Officer
SmartCentres

James Hall
President & Chief Executive Officer
James Hall Advisors Inc.

Michael Kirby
Corporate Director
Chair of Partners for Mental Health

Anne Marie O'Donovan
Executive Vice President & Chief Administration Officer, Global Banking and Markets
Scotiabank

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

Joel Silver
Managing Partner
Trilogy Growth

Gerald Schwartz
Chairman & Chief Executive Officer
Onex Corporation

Five Year Summary of Financial Information

For the years ended (millions of Canadian dollars, except share and per share data)	IFRS March 30, 2013	IFRS March 31, 2012	IFRS April 2, 2011	Canadian GAAP April 3, 2010	Canadian GAAP March 28, 2009
SELECTED STATEMENTS OF EARNINGS INFORMATION					
Revenues					
Superstores	**625.4**	656.5	667.6	670.5	634.7
Small format stores	**137.2**	145.2	149.4	159.3	166.8
Online	**91.9**	91.3	90.6	92.2	95.2
Other	**38.0**	41.0	48.8	46.1	43.7
Total revenues	**892.5**	934.0	956.4	968.1	940.4
EBITDA[1]	**30.0**	26.4	56.4	76.1	72.5
Earnings (loss) before income taxes	**4.2**	(29.3)	25.8	49.8	45.8
Net earnings (loss) and comprehensive earnings (loss)	**4.3**	66.2	(19.4)	34.9	30.7
Dividends per share	**$0.44**	$0.44	$0.44	$0.40	–
Net earnings (loss) per common share	**$0.17**	$3.68	$(0.23)	$1.42	$1.24
SELECTED BALANCE SHEET INFORMATION					
Working capital	**224.9**	224.1	101.6	106.4	87.1
Total assets	**570.2**	592.5	511.0	519.8	487.5
Long-term debt (including current portion)	**1.5**	2.2	3.3	3.0	5.0
Total equity	**350.3**	355.6	267.4	259.0	230.9
Weighted average number of shares outstanding	**25,270,087**	25,201,127	24,874,199	24,549,622	24,674,523
Common shares outstanding at end of period	**25,297,389**	25,238,414	25,140,540	24,742,915	24,526,272
STORE OPERATING STATISTICS					
Number of stores at end of period					
Superstores	**97**	97	97	96	90
Small format stores	**134**	143	150	151	157
Selling square footage at end of period (in thousands)					
Superstores	**2,235**	2,235	2,235	2,217	2,110
Small format stores	**379**	400	413	417	420
Comparable store sales					
Superstores	**(4.6%)**	(1.9%)	(0.3%)	0.6%	2.4%
Small format stores	**(2.4%)**	(0.8%)	(3.2%)	(2.2%)	4.3%
Sales per selling square foot					
Superstores	**280**	294	299	302	301
Small format stores	**362**	363	362	382	397

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

Investor Information

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Vice President, Public Relations
Telephone (416) 342-8561

STOCK LISTING

Toronto Stock Exchange

TRADING SYMBOL

IDG

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company
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Canada H3B 3K3
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AUDITORS

Ernst & Young LLP
Ernst & Young Tower
Toronto-Dominion Centre
Toronto, Ontario
Canada M5K 1J7

ANNUAL MEETING

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

Indigo's Annual Meeting will be held on
June 25, 2013 at 10:00 a.m. at
Torys LLP
79 Wellington Street West, 33rd Floor
Toronto, Ontario
Canada M5K 1N2

Shareholders are encouraged to attend and guests are welcome.

Une traduction française de ce document est disponible sur demande.

Transforming Lives One Book at a Time

Since 2004 Indigo has enriched the lives of thousands of Canadian children through its Indigo Love of Reading Foundation and national grassroots Adopt a School program. Together with the support of Indigo employees and customers they have delivered over $13.5 million to more than 1,300 elementary schools in the country, putting over one million books into the hands of children, resulting in increased literacy scores, stronger self-esteem and brighter futures.

In particular, Love of Reading has committed $12 million, transforming 130 schools in their communities. These schools are listed below.

Alberta
Balwin School, Edmonton (2012)
Barons School, Barons (2011)
Belfast School, Calgary (2009)
Brightview Elementary School, Edmonton (2010)
Capitol Hill School, Calgary (2009)
Delton School, Edmonton (2013)
Glendale Elementary, Edmonton (2009)
Holy Redeemer, Calgary (2007)
Inglewood, Edmonton (2010)
John A. McDougall School, Edmonton (2012)
Keeler Elementary School, Calgary (2010)
Norwood Elementary School, Edmonton (2013)
Parkdale School, Edmonton (2008)
Penbrooke Meadows Elementary, Calgary (2011)
Prince Charles Elementary School, Edmonton (2008)
Sherwood School, Edmonton (2012)
St. Augustine Fine Arts School, Calgary (2013)
St. Francis of Assisi, Edmonton (2005)
St. Louis School, Medicine Hat (2006)
St. Maria Goretti Catholic School, Edmonton (2011)

British Columbia
Abbotsford Middle School, Abbotsford (2011)
Barrowtown Elementary, Abbotsford (2012)
Cedar Hills Elementary School, Surrey (2012)
Conrad Street Elementary School, Prince Rupert (2008)
David Hoy Elementary School, Fort St. James (2007)
Douglas Park Community School, Langley (2005)
Graham Bruce Elementary School, Vancouver (2006)
Grandview/¿uuqinak'uuh Elementary, Vancouver (2009)
Harwin Elementary School, Prince George (2013)
Holly Elementary School, Surrey (2009)
KB Woodward Elementary School, Surrey (2010)
Kinnikinnick Elementary, Sechelt (2010)
Lena Shaw Elementary School, Surrey (2008)
Lord Beaconsfield Elementary, Vancouver (2005)
Lord Selkirk, Vancouver (2011)
Lucerne Elementary Secondary School, New Denver (2009)
Moody Elementary School, Port Moody (2013)
Nootka Elementary School, Vancouver (2006)
Queen Alexandra Elementary School, Vancouver (2007)
Thornhill Elementary School, Terrace (2012)
Thunderbird Elementary, Vancouver (2011)
Tillicum Community Annex, Vancouver (2010)
Tomsett Elementary, Richmond (2011)
W.E. Kinvig Elementary, Surrey (2013)

Manitoba
Arborgate School, La Broquerie (2009)
Betty Gibson School, Brandon (2009)
David Livingstone Community School, Winnipeg (2013)
Dawson Trail School, Lorette (2010)
Dufferin School, Winnipeg (2011)
Kelsey Community School, The Pas (2008)
King Edward Community School, Winnipeg (2009)
King George School, Brandon (2012)
Lavallee School, Winnipeg (2010)
Lundar School, Lundar (2005)
Mulvey School, Winnipeg (2013)
North Memorial School, Portage la Prairie (2008)
Oak Lake Community School, Oak Lake (2010)
Plum Coulee Elementary School, Plum Coulee (2008)
Sister MacNamara, Winnipeg (2011)
Wellington Elementary School, Winnipeg (2007)
William Whyte Community School, Winnipeg (2006)

New Brunswick
Centennial School, Saint John (2013)
Burnt Church Esgenoopetitj School, Burnt Church (2007)
Elsipogtog First Nation School, Elsipogtog (2008)
Forest Glen School, Moncton (2005)
Glen Falls Elementary School, Saint John (2012)
Mountain View Elementary, Irishtown (2011)
South Devon Elementary School, Fredericton (2006)
St. Patrick's School, Saint John (2009)
Upper Miramichi Elementary School, Boiestown (2010)

Newfoundland and Labrador
Acreman Elementary, Green's Harbour (2011)
Bishop Feild School, St. John's (2010)
Helen Tulk Elementary School, Bishop's Falls (2012)
Jakeman All Grade, Trout River (2012)
St. John Bosco School, Shea Heights (2009)
Stephenville Primary School, Stephenville (2006)
Virginia Park Elementary, St. John's (2013)
Woodland Primary School, Grand Falls-Windsor (2008)

Nova Scotia
Central Spryfield Elementary School, Halifax (2006)
Chiganois Elementary, Masstown (2007)
Evangeline Middle School, New Minas (2011)
Gold River-Western Shore Elementary School, Western Shore (2009)
John Martin Junior High School, Dartmouth (2010)
Nelson Whynder Elementary School, Dartmouth (2012)
Sheet Harbour Consolidated, Sheet Harbour (2009)
South Centennial Elementary School, Yarmouth (2008)
Southdale-North Woodside School, Dartmouth (2005)
Windsor Forks District School, Curry's Corner (2010)

Northwest Territories
École St. Joseph, Yellowknife (2009)
Mildred Hall Elementary School, Yellowknife (2010)
Sir Alexander Mackenzie School, Inuvik (2008)
Weledeh Catholic School, Yellowknife (2007)

Nunavut
Victor Sammurtok School, Chesterfield Inlet (2013)

Ontario
A.R. Kaufman Public School, Kitchener (2009)
Abe Scatch Memorial School, Poplar Hill (2008)
Alexander Muir/Gladstone, Toronto (2008)
Armadale Public School, Markham (2011)
Blessed John XXIII Catholic Elementary School, Toronto (2012)
Central Public School, Brantford (2012)
Delhi Public School, Delhi (2012)
Dovercourt Junior Public School, Toronto (2006)
Dunrankin Drive Public School, Mississauga (2011)
East View Public School, Sault Ste. Marie (2009)
Eastwood Public School, Windsor (2011)
Fenelon Township Public School, Cameron (2008)
First Nations School of Toronto, Toronto (2011)
General Crerar Public School, Toronto (2013)
Graham Bell-Victoria Public School, Brantford (2013)
Houghton Public School, Langton (2010)
Keith Wightman Public School, Peterborough (2006)
Kent Public School, Campbellford (2010)
King Edward Public School, Kitchener (2005)
Mary Street Community School, Oshawa (2005)
McHugh Public School, Brampton (2009)
Nelson Mandela Park Public School, Toronto (2013)
Ogden Community School, Thunder Bay (2007)
Parkdale Junior and Senior Public School, Toronto (2012)
Pinecrest Public School, Ottawa (2005)
Queen Victoria Public School, Toronto (2011)
Ridgewood Public School, Mississauga (2013)
Rose Avenue Public School, Toronto (2013)
Roxborough Park Public School, Hamilton (2008)
Sherbrooke Public School, Thunder Bay (2012)
Sir John A. MacDonald Public School, London (2007)
St. David Catholic Elementary, Sudbury (2010)
St. Patrick Catholic Elementary School, Niagara Falls (2013)
William G. Davis, Windsor (2012)

Prince Edward Island
Belfast Consolidated School, Belle River (2008)
Eliot River Elementary, Cornwall (2012)
Prince Street Elementary School, Charlottetown (2008)
Souris Consolidated School, Souris (2013)

Quebec
Belle Anse School, Barachois (2013)
Butler Elementary School, Bedford (2005)
Maniwaki Woodland School, Maniwaki (2010)
New Carlisle High School, New Carlisle (2009)
Orchard Elementary School, LaSalle (2008)
Riverview Elementary School, Verdun (2006)
Shigawake Port Daniel School, Shigawake (2008)
Verdun Elementary, Verdun (2011)

Saskatchewan
Connaught Community School, North Battleford (2011)
Glen Elm School, Regina (2008)
King George Community Public School, Prince Albert (2013)
King George Community School, Saskatoon (2011)
McKitrick Community School, North Battleford (2009)
Pleasant Hill Community School, Saskatoon (2007)
Princess Alexandra Community School, Saskatoon (2009)
Riverside Community School, Prince Albert (2012)
St. Augustine Community School, Regina (2010)
St. Catherine Community School, Regina (2012)
Westview Community School, Prince Albert (2010)

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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