

Company Registration No. 0648706

Carlson Marketing Group (UK) Limited

Report and Financial Statements

31 December 2010

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Carlson Marketing Group (UK) Limited

Report and financial statements 2010

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Carlson Marketing Group (UK) Limited

Report and financial statements 2010

Officers and professional advisers

Directors

J Harman

J Hiney

D Johnston (appointed 27 July 2011)

M Grafton (appointed 27 July 2011)

M Hounsell (appointed 27 July 2011)

D Adams (appointed 27 July 2011)

Secretary

J Henderson-Ross (appointed 27 July 2011)

Registered Office

3rd floor

80 Strand

London

WC2R 0NN

Bankers

Barclays Bank PLC

27 Soho Square

London

W1D 3QR

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place,

London, WC2N 6RH

United Kingdom

Carlson Marketing Group (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Business review and principal activities

The principal activity of Carlson Marketing Group (UK) Limited (the "Company") is the provision of marketing services. These include direct marketing, sales promotion and design services, digital marketing and the development and administration of customer loyalty programmes. The company has a limited number of travel clients for whom it organises conferences and incentive events around the world. There have not been any significant changes in the Company's principal activities in the year under review. During 2011, the directors have restructured the business and associated clients in order to align with the strategy of the parent company, Groupe Aeroplan, which is to be the global leader of loyalty management.

Turnover is down on 2009 by 30.2% but this is largely as a direct result of a major reduction in pass-through costs from our travel and rewards clients. Whilst gross profit is also down on prior year, it is only by 12.2% and the operating expenses have been reduced by 10.0%.

It is now the directors' intention to grow the income level and further improve the quality of the service provided to the loyalty clients, whilst continuing to manage the cost base of the business.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the Company, which could result in its losing sales to its key competitors. The Company manages this risk by providing value added services to its clients and by maintaining strong relationships with those clients.

In addition, the current economic climate means that there is increasing pressure on client spend which could translate into there being less fee income available for the Company. To mitigate this, the Company continues to work with clients and their procurement teams to ensure that the Company represents a dynamic, cost effective offering. The Company also continues to explore alternative solutions for the client programs by utilising services from the existing portfolio of services that the Company provides. The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Carlson Marketing Group (UK) Limited

Directors' report (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company relies on support from its parent company Aimia

Price and cash flow risk

The Company is not exposed to any material price or cash flow risks

Foreign exchange risk

As a principle the Company is not exposed to foreign exchange risk. Foreign exchange risk does arise on a limited number of contractual transactions. In these instances the Company mitigates this risk by ensuring costs and revenues are denominated in the same foreign currency where possible, thus creating a "natural hedge".

Environment

Carlson Marketing Group (UK) Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Company's activities. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Dividends

The directors do not recommend the payment of a dividend for the year (2009 £nil)

Directors

The directors who served throughout the year and, except as noted, subsequently were as follows

J Harman	
M Kitsantas	(resigned 27 July 2011)
J Hiney	
T Martin	(resigned 27 July 2011)
K Pattison	(resigned 27 July 2011)
D Johnston	(appointed 27 July 2011)
M Grafton	(appointed 27 July 2011)
M Hounsell	(appointed 27 July 2011)
D Adams	(appointed 27 July 2011)

Carlson Marketing Group (UK) Limited

Directors' report (continued)

Liability insurance for directors

The Company has maintained insurance cover for the directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the Company

Going concern

The directors have considered the Company's ability to continue as a going concern and have concluded that the Company will continue to trade on a going concern basis. Further details regarding this can be found in Note 1 of the related notes to the financial statements

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of payment. Trade creditors of the Company at 31 December 2010 were equivalent to 24 (2009 18) days' purchases, based on the average daily amount invoiced by suppliers during the year

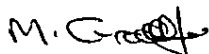
Auditors

In accordance with section 418 of the Companies Act 2006, each of the directors in office at the date the directors report is approved confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board of Directors
and signed on behalf of the Board



M Grafton
Director

06 December 2011

Carlson Marketing Group (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Carlson Marketing Group (UK) Limited

We have audited the financial statements of Carlson Marketing Group (UK) Limited for the year ended 31 December 2010 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of the company's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

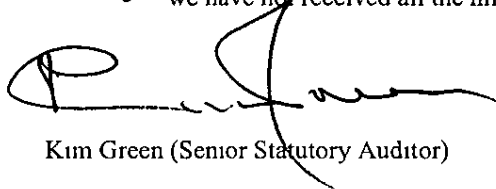
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Carlson Marketing Group (UK) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Kim Green (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

06 December 2011

Carlson Marketing Group (UK) Limited

Profit and loss account Year ended 31 December 2010

	Notes	£	2010 £	£	2009 £
Turnover	2		15,019,920		21,516,073
Cost of sales			<u>(4,252,976)</u>		<u>(9,254,619)</u>
Gross profit			10,766,944		12,261,454
Operating expenses		(10,714,706)		(11,742,915)	
Foreign exchange gain/(loss)		111,068		(51,244)	
Total operating expenses	3		<u>(10,603,638)</u>		<u>(11,794,159)</u>
Operating profit			163,306		467,295
Interest receivable and similar income	4		1,162		12,038
Interest payable and similar charges	5		<u>(230,760)</u>		<u>(246,985)</u>
(Loss)/profit on ordinary activities before taxation	6		(66,292)		232,348
Tax on (loss)/profit on ordinary activities	8		<u>(373,370)</u>		<u>(12,600)</u>
(Loss)/profit on ordinary activities after taxation			<u>(439,662)</u>		<u>219,748</u>

All operations of the Company are continuing throughout the year and the preceding year. The accompanying notes are an integral part of the profit and loss account.

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

Carlson Marketing Group (UK) Limited

Statement of total recognised gains and losses Year ended 31 December 2010

	Note	2010 £	2009 £
Actuarial gains/(losses) on defined benefit plans	20	349,000	(544,000)
Deferred tax on actuarial movements in defined benefit plans		(108,760)	152,320
		<u>240,240</u>	<u>(391,680)</u>
Net gains/(losses) recognised directly in equity		(439,662)	219,748
		<u>(199,422)</u>	<u>(171,932)</u>
Total recognised losses for the year			

The accompanying notes on pages 11 to 24 are an integral part of the statement of total recognised gains and losses

Carlson Marketing Group (UK) Limited

Balance sheet 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	10	332,737	195,689
Current assets			
Work in process	11	502,681	398,115
Debtors			
- amounts falling due in less than one year	12	4,520,178	4,856,025
- net current amounts falling due in more than one year	8	-	365,000
deferred tax			
Cash at bank and in hand		1,680,944	2,991,514
Creditors: amounts falling due within one year	13	6,703,803 (9,250,199)	8,610,654 (10,520,827)
Net current liabilities		(2,546,396)	(1,910,173)
Total assets less current liabilities		(2,213,659)	(1,714,484)
Creditors amounts falling due after more than one year	14	(1,019,068)	(1,069,849)
Provision for liabilities	15	(242,184)	(228,286)
Net liabilities excluding pension liability		(3,474,911)	(3,012,619)
Pension liability	20	(783,290)	(1,046,160)
Net liabilities including pension liability		(4,258,201)	(4,058,779)
Capital and reserves			
Called up share capital	16	4,012,500	4,012,500
Share premium	17	924,458	924,458
Capital contribution	17	1,074,029	1,074,029
Profit and loss account	17	(10,269,188)	(10,069,766)
Total shareholder's deficit	18	(4,258,201)	(4,058,779)

The accompanying notes on pages 11 to 24 are an integral part of this balance sheet

The financial statements of Carlson Marketing Group (UK) Limited, registration number 0648706, were approved by the board of directors and authorised for issue on 06 December 2011

Signed on behalf of the Board of Directors

M Grafton

M Grafton
Director

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

1 Accounting policies

The principal accounting policies are summarised below and have been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards

Going concern

The directors have considered the Company's ability to continue as a going concern. Carlson Marketing Group (UK) Limited has received a legally binding letter of support from its ultimate parent company, Groupe Aeroplan Inc, and the directors are satisfied with Groupe Aeroplan Inc's ability to give that support if required. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements

Cash flow statement

Under the provisions of Financial Reporting Standard No 1 (Revised), the Company has not prepared a cash flow statement because its ultimate parent undertaking, Groupe Aeroplan Inc, which is incorporated in Canada, has prepared consolidated financial statements, including a consolidated cash flow statement, which are publicly available

Tangible assets

Tangible fixed assets are shown at cost less accumulated depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful lives as follows

Leasehold improvements	Over the term of the lease
Furniture, Fittings & Equipments	3 years
Computer Software	3 years

Work in Process

Stocks are stated at the lower of cost and net realisable value and comprise promotional material, work-in-progress and store vouchers. Work-in-progress is calculated as direct expenditure incurred less progress payments invoiced. Where amounts invoiced on account in respect of individual projects exceed the attributable costs incurred or net realisable value, if lower, the sum of the resulting net figures is included in accruals and deferred income

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

1. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Pension costs

The Company operates a defined benefit pension scheme. The difference between the fair value of the assets held in the Company's defined benefit scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Company's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than a cash contribution by the Company are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS17.

The Company also operates various defined contribution pension schemes for certain of its employees and directors.

The assets of these funded schemes are held independently of the Company by trustees. The amount charged to the profit and loss account is the total of contributions payable in the year. Any difference between amounts charged to the profit and loss account and contributions paid to independent pension schemes is shown as a separately identifiable liability or asset in the balance sheet.

Foreign currencies

Normal trading transactions with third parties denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

Marketing revenue is recognised in the month in which services are provided to customers. Revenue resulting from the arrangement of travel trips is recognised in the month in which the relevant trip takes place.

Leased assets

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

2. Turnover

The Company's turnover is derived from its principal activity and predominantly originated from within the United Kingdom

3 Operating expenses

	2010 £	2009 £
Distribution and selling costs	257,856	321,962
Administrative expenses	10,345,782	11,472,197
	<u>10,603,638</u>	<u>11,794,159</u>

4. Interest receivable and similar income

	2010 £	2009 £
Bank interest	<u>1,162</u>	<u>12,038</u>

5. Interest payable and similar charges

	2010 £	2009 £
Interest payable to Group undertaking	126,573	142,579
Bank interest	229	543
Finance cost – defined benefit scheme	94,000	89,000
Other finance cost – unwinding of provision	9,958	14,863
	<u>230,760</u>	<u>246,985</u>

6 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)

	2010 £	2009 £
Depreciation of owned tangible fixed assets	161,818	194,054
Operating lease rentals		
- plant and machinery	23,529	13,101
- buildings	475,786	394,210
Loss on disposal of fixed assets	(1)	(22,728)
	<u></u>	<u></u>

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

6 (Loss)/profit on ordinary activities before taxation (continued)

The analysis of auditors' remuneration is as follows

	2010 £	2009 £
Fees payable to the company's auditors for the audit of the company's annual financial statements	70,000	149,095
Fees payable to the company's auditors and their associates for other services	21,850	24,000
Total fees	91,850	173,095
Fees payable to the company's auditors and their associates for other services		
- Tax services	21,850	16,100
- Other services	-	7,900
Total non audit fees	21,850	24,000

7. Staff costs

Particulars of employees (including executive directors) are as shown below

	2010 £	2009 £
Employee costs during the year amounted to		
Wages and salaries	6,216,095	6,609,830
Social security costs	646,587	700,826
Other pension costs (see note 20)	217,579	261,934
	7,080,261	7,572,590

The average monthly number of persons employed by the company during the year was as follows

	2010 Number	2009 Number
Production	78	93
Sales	37	37
Administration and management	17	10
	132	140

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

7 Staff costs (continued)

	2010 £	2009 £
Directors' remuneration		
The remuneration of the directors was as follows		
Emoluments	1,059,003	1,285,241
Contributions to money purchase pension schemes	57,453	55,750
	<u>1,116,456</u>	<u>1,340,991</u>

Pensions

The number of directors who were members of pension schemes was as follows

	Number	Number
Money purchase schemes	<u>3</u>	<u>3</u>

No retirement benefits were paid to directors or past directors in excess of the benefits to which they were entitled on the date retirement benefits first became payable (2009 £nil)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2010 £	2009 £
Emoluments	617,060	642,811
Contributions to money purchase schemes	33,750	33,750
	<u>650,810</u>	<u>676,561</u>

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

8 Tax on (loss)/profit on ordinary activities

The tax charge is based on the profit/(loss) for the year and comprises

	2010 £	2009 £
UK corporation tax payable at 28% (2009 – 28%)		
Total current tax	-	-
Deferred taxation		
- Reversal of deferred tax asset	365,000	-
- Deferred tax movement on pension liability	8,370	12,600
Total deferred tax	373,370	12,600
Total tax on (loss)/profit on ordinary activities	373,370	12,600

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2010 £	2009 £
Company (loss)/profit on ordinary activities before tax	(66,292)	232,348
Tax on Company profit on ordinary activities at standard UK corporation tax rate of 28% (2009– 28%)	(18,562)	65,058
Effects of		
Expenses not deductible for tax purposes	12,436	4,820
Accelerated capital allowances	(147,990)	38,898
Losses not recognised in deferred tax/(utilised)	153,838	(165,629)
Other timing differences	278	56,853
Company current tax for the year	-	-

Deferred tax asset based on potential return to profitability and recoverability is nil (2009 - £365,000)
Deferred tax assets not recognised are £2,203,870 (2009 – £1,824,874) This will be the case until the directors are sufficiently certain of the ability to utilise this remaining asset

9. Dividends paid and proposed

No dividends were paid or proposed during the year or in the preceding year

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

10 Tangible assets

	Leasehold improvements £	Furniture, fittings and equipment £	Computer software £	Total £
Cost				
At 1 January 2010	481,052	1,220,683	146,852	1,848,587
Additions		181,255	124,816	306,071
Disposals	(7,205)	(15,500)		(22,705)
At 31 December 2010	473,847	1,386,438	271,668	2,131,953
Depreciation				
At 1 January 2010	413,256	1,150,533	89,109	1,652,898
Charge	31,776	83,918	46,124	161,818
Disposals		(15,500)		(15,500)
At 31 December 2010	445,032	1,218,951	135,233	1,799,216
Net book value				
At 31 December 2010	28,815	167,487	136,435	332,737
At 31 December 2009	67,796	70,150	57,743	195,689

The Company holds no assets under finance leases or hire purchase contracts

11. Work in process

	2010 £	2009 £
Work-in-process	499,866	396,434
Finished goods and goods for resale	2,815	1,681
	<u>502,681</u>	<u>398,115</u>

In the directors' opinion, there are no material differences between the carrying value and the replacement cost of stocks

12. Debtors: amounts falling due within one year

	2010 £	2009 £
Trade debtors	2,770,455	2,558,301
Amounts owed by parent or other Group companies	780,896	1,379,334
Other debtors	70,855	29,785
Prepayments and accrued income	897,972	888,605
	<u>4,520,178</u>	<u>4,856,025</u>

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

13. Creditors amounts falling due within one year

	2010 £	2009 £
Trade creditors	822,872	696,131
Amounts owed to parent or other Group companies	4,462,586	4,263,234
Other creditors	827,744	1,066,243
Social security and other taxes	331,373	434,879
Accruals and deferred income	2,805,624	4,060,340
	<u>9,250,199</u>	<u>10,520,827</u>

14. Creditors amounts falling due after more than one year

	2010 £	2009 £
Amounts owed to other Group companies	1,019,068	1,019,068
Other creditors	-	50,781
	<u>1,019,068</u>	<u>1,069,849</u>

The long term amounts owed to other Group undertakings are non-interest bearing and are repayable within 2-5 years

15. Provision for liabilities

	2010 £
Balance as at January 2010	228,286
Utilised	(61,504)
Created	65,444
Unwinding of discount in prior year provision	9,958
	<u>242,184</u>

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

15. Provision for liabilities (continued)

Provision is carried forward for the Bristol property which is partly vacant and for dilapidations

The Bristol provision has been calculated for the period to the lease termination date (30 June 2012) based on current rental and related costs to the company and has been discounted using a discount factor of 10% Included within this provision is a sum for dilapidations of £25,000

A further dilapidation provision of £10,000 and a provision of £55,444 for onerous lease commitments for the Isleworth property were created during the year The lease for this property terminates on 29 September 2011

16 Called up equity share capital

	2010 £	2009 £
Authorised:		
12,500 (2009– 12,500) ordinary shares of £1 each	12,500	12,500
4,000,000 (2009– 4,000,000) 'A' ordinary shares of £1 each	4,000,000	4,000,000
	<u>4,012,500</u>	<u>4,012,500</u>
Allotted, called up and fully paid:		
12,500 (2008 – 12,500) ordinary shares of £1 each	12,500	12,500
4,000,000 (2008 – 4,000,000) 'A' ordinary shares of £1 each	4,000,000	4,000,000
	<u>4,012,500</u>	<u>4,012,500</u>

The ordinary shares and the 'A' ordinary shares rank equally with each other in all respects

17. Reserves

	Capital contribution £	Profit and loss account £	Share premium account £	Total £
Company				
At 1 January 2010	1,074,029	(10,069,766)	924,458	(8,071,279)
Retained loss for the year	-	(439,662)	-	(439,662)
Other recognised gains and losses in the year	-	240,240	-	240,240
At 31 December 2010	<u>1,074,029</u>	<u>(10,269,188)</u>	<u>924,458</u>	<u>(8,270,701)</u>

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

18. Reconciliation of movement in shareholder's deficit

	2010 £	2009 £
(Loss)/profit on ordinary activities after taxation	(439,662)	219,748
Other recognised gains and losses relating to the year	240,240	(391,680)
Net reduction in shareholder's deficit	(199,422)	(171,932)
Opening shareholder's deficit	(4,058,779)	(3,886,847)
Net reduction in shareholder's deficit	(199,422)	(171,932)
Closing shareholder's deficit	(4,258,201)	(4,058,779)

19 Guarantees and other financial commitments

(a) Capital commitments

There were no capital commitments contracted for as at 31 December 2010 (2009 – £nil)

(b) Lease commitments

The minimum annual commitments under non-cancellable operating leases are as follows

	Buildings	
	2010 £	2009 £
Operating leases which expire		
- within one year	41,429	-
- within two to five years	478,188	533,426
- after five years	-	-
	519,617	533,426

(c) Contingent liabilities

In 2009 the Company had a counter indemnity bond with the Civil Aviation Authority for £1,350,000. This bond was cancelled in May 2010.

20 Pension liability

The Company operates a pension scheme providing benefits to certain permanent employees based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with Clerical Medical Investment Group ("Clerical Medical").

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary, employed by Clerical Medical, on the basis of triennial valuations using the attained age funding method.

The most recent valuation was at 31 December 2010 and used the Projected Accrued Benefit method. The main actuarial assumptions were that salaries would increase by 5% per annum and the return on scheme investments would be 4.9% per annum.

The valuation showed that the market value of the scheme's assets was £3,475,000 (2009 £2,862,000).

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

20 Pension liability (continued)

The asset distribution of the scheme's assets was as follows

	2010	2009
Cash	0.3%	0.4%
Pension contract	99.7%	99.6%

The contributions paid during 2010 and 2009 were as follows

Employers' contributions	28.6% of pensionable salary plus £10,450 per month
Members' contributions	5.0% of pensionable salary

The actuarial valuation described above has been updated at 31 December 2010 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for calculating liabilities were as follows

	2010 £	2009 £
Inflation rate	3.7%	3.8%
Salary escalation	0.0%	4.3%
Pension increases		
where fixed	5.0%	5.0%
where subject to RPI max 2.5%	2.5%	2.5%
Statutory revaluation on deferment	3.7%	3.8%
Discount rate	5.4%	5.7%
Life expectancy	87	87

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were

	2010 %	2010 £	2009 %	2009 £
Cash and other net assets	4.2	11,000	4.5	11,000
Company pension contract	4.9	3,464,000	5.0	2,851,000
Total fair value of assets		3,475,000		2,862,000
Present value of scheme liabilities		(4,548,000)		(4,315,000)
Deficit in the scheme		(1,073,000)		(1,453,000)
Related deferred tax asset		289,710		406,840
Net pension liability		(783,290)		(1,046,160)

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Notes to the financial statements Year ended 31 December 2010

20 Pension costs (continued)

Analysis of the amounts that have been charged to operating profit

	2010 £	2009 £
Current service cost (excluding insured death in service benefits)	3,000	19,000
Total operating charge	3,000	19,000

Analysis of the amounts that have been charged to interest payable and similar charges

	2010 £	2009 £
Expected return on the assets	146,000	145,000
Interest on pension scheme liabilities	(240,000)	(226,000)
Net finance cost	(94,000)	(81,000)

Analysis of the actuarial (loss)/gain that has been recognised in the statement of total recognised gains and losses

	2010 £	2009 £
The movement in deficit during the year to 31 December is as follows		
Assets in scheme at 1 January	2,862,000	3,063,000
Expected return on assets	146,000	145,000
Employer contributions	128,000	145,000
Member contributions	1,000	3,000
Benefits paid	(29,000)	(492,000)
Settlements	-	-
Actuarial gain/(loss) on assets	367,000	(2,000)
Asset in scheme at 31 December	3,475,000	2,862,000

	2010 £	2009 £
Liabilities in scheme at 1 January	4,315,000	4,017,000
Interest cost	240,000	226,000
Current service cost	3,000	19,000
Member contributions	1,000	3,000
Benefits paid	(29,000)	(492,000)
Actuarial loss on liabilities	18,000	542,000
Liabilities in scheme at 31 December	4,548,000	4,315,000

Carlson Marketing Group (UK) Limited

Notes to the financial statements Year ended 31 December 2010

20 Pension costs (continued)

History of experience gains and losses

	2010 £	2009 £	2008 £	2007 £	2006 £
Difference between the expected and actual return on scheme assets:					
Amount (£)	367,000	(2,000)	(633,000)	(122,000)	146,000
Percentage of scheme assets	10.6%	(0.1%)	(20.7%)	(3.7%)	4.4%
Experience gains and losses on scheme liabilities:					
Amount (£)	205,000	46,000	330,000	144,000	45,000
Percentage of the present value of scheme liabilities	4.5%	1.1%	8.2%	3.2%	1.0%
Total actuarial gain in the statement of total recognised gains and losses					
Amount (£)	349,000	(544,000)	78,000	60,000	591,000
Percentage of the present value of scheme liabilities	7.7%	(12.6%)	1.9%	1.4%	13.0%

The Company also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £214,579 (2009 £215,897)

21. Parent company and ultimate controlling party

As at 31 December 2010 the immediate parent company is Carlson Companies (UK) Limited. The smallest and largest group in which the results of Carlson Marketing Group (UK) Limited are consolidated is the group headed by Groupe Aeroplan Inc, the ultimate parent company, incorporated in Canada. The consolidated financial statements of this group are available from www.groupeaeroplan.com

On 7 December 2009 Groupe Aeroplan Inc acquired 100% share capital of Carlson Marketing Worldwide Inc, an intermediary group company and former parent company of Carlson Marketing Group (UK) Limited. On 8 December 2009 100% of the share capital of Carlson Companies Europe Limited (being a parent company of Carlson Marketing Group (UK) Limited) was acquired by Aeroplan Foreign Holdings UK Limited, a subsidiary of Groupe Aeroplan Inc.

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Notes to the financial statements Year ended 31 December 2010

22 Related party transactions

Amounts owed by and to parent or other sister companies are disclosed in notes 12, 13 and 14

During the year the Company carried out a number of transactions with related parties, in the normal course of business and on an arm's length basis

The following transactions were undertaken with such related parties during the year

	2010		2009	
	Value of transactions receivable/ (payable) (payable) £	Receivable/ (payable) at year end £	Value of transactions receivable/ (payable) (payable) £	Receivable/ (payable) at year end £
- Carlson Marketing Worldwide Inc	(85,101)	(3,319,846)	4,011,806	(3,234,745)
- Carlson Companies Europe Limited	-	(73,482)	-	(73,482)
- Carlson Companies (UK) Limited	-	(945,586)	86,500	(945,586)
- CMG Australia	(998)	-	-	998
- CMG Belgium	(154,596)	(286,321)	(144,703)	(131,725)
- CMG Holland	40,043	(856,419)	(893,922)	(896,462)
- CMG Singapore	(95,460)	702,208	(1,346)	797,668
- CMG New Zealand	563	563	-	-
- CMG Canada	-	-	(13,666)	-
- GA LMG UK	68,080	68,080	-	-
- CMG Kuwait	(20,125)	-	47,217	20,126
- CMG Abu Dhabi	(116,709)	10,045	65,738	126,754
- CMG Dubai	(433,788)	-	433,788	433,788
	<u>(798,091)</u>	<u>(4,700,758)</u>	<u>3,591,412</u>	<u>(3,902,666)</u>