

Aimia Proprietary Loyalty UK Limited
(formerly Carlson Marketing Group (UK) Limited)

Directors' Report and Financial Statements

31 December 2011



Directors and advisers

Company secretary

J Henderson-Ross

Directors

D Adams
M Grafton
S Hawkes
J Henderson-Ross
M Hounsell
D Johnston

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

Bankers

Barclays Bank PLC
Level 28, 1 Churchill Place
Canary Wharf
London E14 5HP

Solicitors

Hogan Lovells
Atlantic House
Holborn Viaduct
London EC1A 2FG

Registered office

80 Strand
3rd Floor
London WC2R 0NN

Directors' Report (continued)

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2011

Principal activities

The Company's principal activity is the provision of, development and administration of customer loyalty programmes as well as other marketing activities

Change of company name

On 22 December 2011 the Company changed its name from Carlson Marketing Group (UK) Limited to Aimia Proprietary Loyalty UK Limited

Business review

Revenue has fallen by 1.9% in the year, due to the Company exiting various activities to focus on the provision of proprietary customer loyalty programs for its clients. The Company also restructured to reduce operating costs. As a result of this exercise the Company incurred a charge of £1.7 million, meaning that operating costs were flat compared to last year.

As a result of the reduction in revenue and restructuring charges net loss increased from £0.4 million to £1.3 million.

In the future the directors intend to focus on the developing the proprietary customer loyalty business and improving the quality of service provided to clients.

Going concern

The Company has net liabilities and relies on the support of its ultimate controlling party, Aimia Inc. Management believes that this support will be forthcoming and has therefore adopted the going concern basis of accounting in preparing the annual financial statements.

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.

Financial risk management

The Company's activities potentially expose it to a variety of financial risks: market risk, credit risk and liquidity risk. See note 4 to the financial statements.

Directors' Report (continued)

Results and dividends

The loss for the year ended 31 December 2011 is £1,276,000 (2010 £440,000)

No interim or final dividends were declared for the year ended 31 December 2011

Political and charitable donations

During the period, the Company made charitable donations of £2,000 (2010 £2,000)

It is the Company's policy not to make political contributions and accordingly none was made in the year (2010 £nil)

Creditor payment policy

The terms of payment are settled with suppliers when agreeing the terms of each transaction and it is the Company's policy to abide by those terms

Directors

The directors of the Company who held office during the year and up to the date of this report were as follows

D Adams (appointed 27 July 2011)
M Grafton (appointed 27 July 2011)
J Harman (resigned 22 December 2011)
S Hawkes (appointed 22 December 2011)
J Henderson-Ross (appointed 22 December 2011)
J Hiney (resigned 22 December 2011)
M Hounsell (appointed 27 July 2011)
D Johnston (appointed 27 July 2011)
M Kitsantas-Terpstra (resigned 27 July 2011)
T Martin (resigned 27 July 2011)
K Pattinson (resigned 27 July 2011)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Directors' Report (continued)

Employee involvement

The Company has a well developed framework for communications with employees and has an Employee Forum to ensure that employees are effectively consulted on issues relating to the workforce

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 accounting estimates that are reasonable and prudent,
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each director of the company, in office at the time of approval of this report, acknowledges that

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

On behalf of the Board



M Grafton

13 September 2012

Independent auditors' report

to the members of Aimia Proprietary Loyalty UK Limited

We have audited the financial statements of Aimia Proprietary Loyalty UK Limited for the year ended 31 December 2011 which comprise the primary financial statements such as the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 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. In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report (continued)

to the members of Aimia Proprietary Loyalty UK Limited

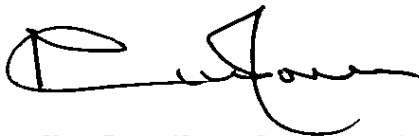
Opinion on other matter prescribed by the Companies Act 2006

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

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, 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
1 Embankment Place
London
WC2N 6RH
13 September 2012

Statement of comprehensive income

for the year ended 31 December 2011

| | Note | 2011 £000 | 2010 £000 |
|--|------|--------------|--------------|
| Revenue | | 14,737 | 15,020 |
| Cost of sales | | (5,122) | (4,253) |
| Gross profit | | 9,615 | 10,767 |
| Administrative, sales and marketing expenses | 6 | (10,695) | (10,604) |
| Operating (loss) / profit | | (1,080) | 163 |
| Finance income | 9 | 100 | 1 |
| Finance costs | 10 | (212) | (231) |
| Loss before income tax | | (1,192) | (67) |
| Income tax expense | 11 | (84) | (373) |
| Loss for the year | | (1,276) | (440) |
| Other comprehensive income | | 135 | 241 |
| Total comprehensive loss | | (1,141) | (199) |

All of the Company's operations are continuing

The accompanying notes on pages 12 to 37 form an integral part of these financial statements

Statement of financial position

as at 31 December 2011

| | | 2011 £000 | 2010 £000 | 2009 £000 |
|--|----------------|-----------------|-----------------|-----------------|
| Non-current assets | | | | |
| Property, plant and equipment | <i>Note 12</i> | 167 | 196 | 138 |
| Intangible assets | <i>13</i> | 96 | 138 | 58 |
| Deferred income tax assets | | - | - | 365 |
| | | <u>263</u> | <u>334</u> | <u>561</u> |
| Current assets | | | | |
| Inventories | <i>14</i> | 301 | 503 | 398 |
| Trade and other receivables | <i>15</i> | 3,014 | 4,520 | 4,856 |
| Cash and cash equivalents | | 1,582 | 1,681 | 2,992 |
| | | <u>4,897</u> | <u>6,704</u> | <u>8,246</u> |
| Total assets | | <u>5,160</u> | <u>7,038</u> | <u>8,807</u> |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Other payables | <i>16</i> | (1,019) | (1,019) | (1,070) |
| Retirement benefit obligations | <i>17</i> | (397) | (783) | (1,046) |
| Provisions for other liabilities and charges | <i>18</i> | (300) | (81) | (167) |
| | | <u>(1,716)</u> | <u>(1,883)</u> | <u>(2,283)</u> |
| Current liabilities | | | | |
| Trade and other payables | <i>16</i> | (8,148) | (9,252) | (10,521) |
| Provisions for other liabilities and charges | <i>18</i> | (366) | (161) | (62) |
| | | <u>(10,230)</u> | <u>(11,296)</u> | <u>(12,866)</u> |
| Total liabilities | | <u>(10,230)</u> | <u>(11,296)</u> | <u>(12,866)</u> |
| Net liabilities | | <u>(5,070)</u> | <u>(4,258)</u> | <u>(4,059)</u> |
| Equity | | | | |
| Ordinary shares | <i>20</i> | 4,013 | 4,013 | 4,013 |
| Share premium | <i>21</i> | 924 | 924 | 924 |
| Capital contribution | <i>22</i> | 1,403 | 1,074 | 1,074 |
| Retained earnings | | (11,410) | (10,269) | (10,070) |
| Total deficit | | <u>(5,070)</u> | <u>(4,258)</u> | <u>(4,059)</u> |

These financial statements were approved by the board of directors on 13 September 2012 and were signed on its behalf by



M Grafton
Director

13 September 2012

The accompanying notes on pages 12 to 37 form an integral part of these financial statements

Statement of changes in equity

for the year ended 31 December 2011

| | Ordinary shares £000 | Share premium £000 | Capital contribution £000 | Retained earnings £000 | Total £000 |
|--|----------------------------|--------------------------|---------------------------------|------------------------------|---------------|
| Balance at 1 January 2010 | 4,013 | 924 | 1,074 | (10,070) | (4,059) |
| <i>Comprehensive income</i> | | | | | |
| Loss for the year | - | - | - | (440) | (440) |
| Actuarial gain on post employment pension obligations | - | - | - | 349 | 349 |
| Impact of deferred tax on pension liability | - | - | - | (94) | (94) |
| Impact of change in tax rate on deferred tax recognised on pension liability | - | - | - | (14) | (14) |
| <i>Total comprehensive income</i> | - | - | - | (199) | (199) |
| Balance at 31 December 2010 | 4,013 | 924 | 1,074 | (10,269) | (4,258) |
| <i>Comprehensive income</i> | | | | | |
| Loss for the year | - | - | - | (1,276) | (1,276) |
| Actuarial loss on post employment pension obligations | - | - | - | 208 | 208 |
| Impact of deferred tax on pension liability | - | - | - | (52) | (52) |
| Impact of change in tax rate on deferred tax recognised on pension liability | - | - | - | (21) | (21) |
| <i>Total comprehensive income</i> | - | - | - | (1,141) | (1,141) |
| <i>Transactions with shareholders</i> | | | | | |
| Share based payment | - | - | 329 | - | 329 |
| <i>Total transactions with shareholders</i> | - | - | 329 | - | 329 |
| Balance at 31 December 2011 | 4,013 | 924 | 1,403 | (11,410) | (5,070) |

The accompanying notes on pages 12 to 37 form an integral part of these financial statements

Statement of cash flows

for the year ended 31 December 2011

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Loss before income tax | (1,192) | (67) |
| <i>Adjustments for</i> | | |
| Depreciation | 104 | 116 |
| Amortisation | 64 | 46 |
| Profit on disposal of non-current assets | - | 7 |
| Share based payment | 329 | - |
| Net finance costs | 212 | 231 |
| Foreign exchange gains and losses | (100) | - |
| <i>Changes in working capital</i> | | |
| Trade and other receivables | 1,589 | 335 |
| Trade and other payables | (1,213) | (1,443) |
| Inventory | 202 | (105) |
| Movement on provisions | 394 | 4 |
| Payments to defined benefit pension scheme | (408) | (128) |
| Net cash used in operating activities | (19) | (1,004) |
| Cash flows from investing activities | | |
| Purchase of property, plant and machinery | (75) | (181) |
| Purchase of intangible fixed assets | (22) | (126) |
| Net cash used investing activities | (97) | (307) |
| Net movement in cash and cash equivalents | (116) | (1,311) |
| Cash and cash equivalents at the beginning of the year | 1,681 | 2,992 |
| Effect of foreign exchange on cash held in foreign currency | 17 | - |
| Cash and cash equivalents at the end of the year | 1,582 | 1,681 |

The accompanying notes on pages 12 to 37 form an integral part of these financial statements

Notes to the financial statements

for the year ended 31 December 2011

1. General information

Aimia Proprietary Loyalty UK Limited ("the Company") is incorporated and domiciled in the UK and provides marketing services, including the administration of proprietary loyalty programmes

In the year, the Company changed its name from Carlson Marketing Group (UK) Limited to Aimia Proprietary Loyalty UK Limited

The Company is owned Aimia Foreign Holdings UK Limited, a UK company, and its ultimate parent company is Aimia Inc, a Canadian company

The largest group in which the results of the Company are consolidated is that headed by Aimia Inc, no other group financial statements include the results of the Company. The consolidated financial statements of Aimia Inc are available at www.aimia.com

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). The principal accounting policies are set out below have been consistently applied to all periods presented in these financial statements. This is the first year the Company has presented its financial statements under IFRS, the financial statements to 31 December 2010 were prepared under UK GAAP.

Amended or revised standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but which currently do not have a material impact on the Company (although they may affect the accounting for future transactions and events) are as follows:

- IAS 1 (amendment) 'Presentation of financial statements', (effective 1 January 2011)
- IFRS 1 (amendment), 'First-time adoption of International Financial Reporting Standards', (effective 1 July 2010),
- IFRS 3 (amendment) 'Business combinations', (effective 1 July 2010),
- IFRS 7 (amendment) 'Financial instruments', (effective 1 January 2011),
- IAS 24 (revised), 'Related party disclosures', (effective 1 January 2011),
- IAS 27 (amendment) 'Consolidated and separate financial statements', (effective 1 July 2010)
- IAS 32 (amendment) 'Financial Instruments Presentation', (effective 1 February 2010)
- IFRIC 13 (amendment) 'Customer loyalty programmes', (effective 1 January 2011),
- IFRIC 14 (amendment) 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', (effective 1 January 2011), and
- IFRIC 19 'Extinguishing financial liabilities with equity instruments', (effective 1 July 2010)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted by the Company

- IAS 1 (amendment) 'Presentation of financial statements', (effective 1 July 2012),
- IAS 12 (amendment) 'Income taxes', (effective 1 January 2012),
- IAS 19 (amendment) 'Employee benefits', (effective 1 July 2012),
- IFRS 1 (amendment), 'First-time adoption of International Financial Reporting Standards', (effective 1 July 2011),
- IFRS 7 (amendment) 'Financial instruments', (effective 1 July 2011),

Notes to the financial statements

for the year ended 31 December 2011

2. Accounting Policies (continued)

Basis of preparation (continued)

- IFRS 9, 'Financial instruments', (effective from 1 January 2013),
- IFRS 10 'Consolidated financial statements', (effective from 1 January 2013),
- IFRS 11 'Joint arrangements', (effective from 1 January 2013),
- IFRS 12 'Disclosures of interests in other entities', (effective from 1 January 2013),
- IFRS 13 'Fair value measurement', (effective from 1 January 2013),
- IAS 27 (revised) 'Separate financial statements', (effective from 1 January 2013), and
- IAS 28 (revised) 'Associates and joint ventures', (effective from 1 January 2013)

The above standards, amendments and interpretations are currently being assessed by management but are not expected to have a material impact on the Company's financial statements

Going concern

The Company has net liabilities and relies on the support of its ultimate controlling party, Aimia Inc. Management believes that this support will be forthcoming and has therefore adopted the going concern basis of accounting in preparing the annual financial statements

Revenue

Revenue comprised the value of sales (excluding VAT and trade discounts) of services in the normal course of business. Marketing revenue is recognised in the month in which services are provided to customers.

Inventories

Inventory relates to work in progress and is measured at the lower of cost and net realisable value.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation.

Internally generated computer software is capitalised and amortised from the date of completion of the project.

| | | |
|-------------------|---|---------------|
| Computer software | - | 33% per annum |
|-------------------|---|---------------|

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets as follows:

| | | |
|------------------------|---|----------------------------|
| Furniture & equipment | - | 33% per annum |
| Computer hardware | - | 33% per annum |
| Leasehold improvements | - | over the term of the lease |

Notes to the financial statements

for the year ended 31 December 2011

2. Accounting Policies (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('cash generating units'). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

Classification

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted on an active market. They are included in current assets except for maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and short term highly liquid investments with original maturities of less than three months.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Other receivables comprise deposits and advances to suppliers.

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Notes to the financial statements

for the year ended 31 December 2011

2. Accounting Policies (continued)

Trade payables and provisions

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Foreign currencies

Transactions denominated in foreign currencies are translated using the rate of exchange in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any exchange gains and losses arising are taken to the income statement.

Current and deferred taxation

Taxation provided is that chargeable on the profits, together with deferred taxation.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of 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. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Pensions

The Company operates a defined benefit pension scheme. The difference between the fair value of the assets held in the 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 scheme asset or liability arising from factors other than cash contributions by the Company are charged to the statement of comprehensive income or and the statement of comprehensive income in accordance with IAS 19.

The Company makes contributions to various personal pension plans which are defined contribution pension schemes. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

Notes to the financial statements

for the year ended 31 December 2011

2. Accounting Policies (continued)

Share based payment

The Aimia Long-Term Incentive Plan (the "Plan"), was established to provide an opportunity for various employees of Aimia and its subsidiaries to participate in the successful growth and development of Aimia. Under the Plan, stock options and/or performance share units ("PSUs") may be granted to eligible employees. These grants are established annually on the basis of a percentage of each participant's annual base salary in addition to other qualitative and quantitative criteria. The vesting conditions of options and PSUs issued under the Plan, may include time and performance criteria, and are determined at the time of grant. PSUs are cash settled and share options are equity settled.

In the case of options, the option term cannot exceed ten years, whereas the vesting period of PSUs shall end no later than December 31 of the calendar year which is three years after the calendar year in which the award is granted. The fair value of stock options, at the date of grant to the eligible employees, is recognized as compensation expense and a credit to contributed surplus over the applicable vesting period using the graded method of amortisation. The fair value of PSUs, at the date of grant to PSU Plan participants, is recognised in the Company's financial statements as compensation expense over the vesting period using the graded method of amortisation, with a credit capital contribution in equity. In addition, PSUs are fair valued at the end of every reporting period. All awards under the Plan are made at the discretion of the Board of Directors and are subject to board approval, as are any performance vesting criteria and targets that apply to awards made under the Plan.

The amount recognised as an expense is adjusted for forfeitures to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

No share based payment charged was recognised in the year ended 31 December 2010 as the charge was immaterial. The cumulative charge was posted in the year ended 31 December 2011.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The estimates that might have a significant effect on the results of the business are those concerning share based payments (see note 23).

4. Financial risk management

The Company's activities potentially expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on minimising these risks.

Notes to the financial statements

for the year ended 31 December 2011

4. Financial risk management (continued)

Market risk

Foreign exchange risk

The operational currency of the Company is sterling. The majority of the Company's revenues and costs are denominated in sterling and the related foreign exchange risk is minimal.

Price risk

The Company is not exposed to any price risk as it does not have any equity securities or similar assets.

Interest rate risk

The Company does not have any variable interest rate borrowings and as such is not subject to interest rate risk.

Credit risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At 31 December 2011, the Company's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents and receivables.

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

With respect to accounts receivable, there is not a concentration of credit risk with no customer's receivables exceeding ten per cent of the total balance. In order to manage its exposure to credit risk and assess credit quality, Aimia reviews counterparty credit ratings on a regular basis and sets credit limits when deemed necessary. Historically, bad debts experienced by the Company have not been material.

Liquidity risk

The key liquidity risk to the Company is the requirement to pay third party creditors. To mitigate this risk, cash flow forecasting is performed at the Company level and is designed to ensure that the Company has sufficient cash to meet operational needs.

5. Auditors' remuneration

Auditors' remuneration

| | 2011 £000 | 2010 £000 |
|---|-------------------|-------------------|
| Audit of the financial statements | 74 | 70 |
| Amounts receivable by auditors and their associates in respect of | | |
| Other services relating to taxation | 14 | 22 |
| All other services | - | - |
| | <u> </u> | <u> </u> |

Notes to the financial statements

for the year ended 31 December 2011

6. Administrative, sales and marketing expenses

| | 2011 £000 | 2010 £000 |
|---|---------------|---------------|
| Salaries and wages | 6,618 | 7,080 |
| Depreciation and amortisation | 168 | 162 |
| Onerous lease provision | 1,000 | - |
| Rent, professional fees, IT, contactor and communications and other costs | 2,910 | 3,362 |
| | <u>10,695</u> | <u>10,604</u> |

7. Staff costs

| | 2011 £000 | 2010 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 5,550 | 6,216 |
| Share based payment | 329 | - |
| Social security costs | 549 | 646 |
| Other pension costs | 190 | 218 |
| | <u>6,618</u> | <u>7,080</u> |

The monthly average number of employees during the year was as follows

| By activity | 2011 Number | 2010 Number |
|----------------|----------------|----------------|
| Production | 61 | 78 |
| Sales | 29 | 37 |
| Administration | 12 | 17 |
| | <u>102</u> | <u>132</u> |

Notes to the financial statements

for the year ended 31 December 2011

8. Directors' emoluments

During the year four directors of the Company received emoluments from the Company. The other directors of the Company did not receive any remuneration for services to the Company for the year ended 31 December 2011 as these are borne by other Aimia Inc group companies.

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Emoluments, including share based payments | 979 | 1,059 |
| Company contributions paid to money purchase schemes | 49 | 57 |

| | 2011 No of directors | 2010 No of directors |
|-----------------------------------|----------------------------|----------------------------|
| Members of money purchase schemes | 3 | 3 |

The amounts in respect of the highest paid director are as follows

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Emoluments | 439 | 617 |
| Company contributions paid to money purchase schemes | 34 | 34 |

Shares, share options or long term incentive plans were received by 4 (2010: 4) of the directors who receive compensation from the Company during the year.

9. Finance income

| | 2011 £000 | 2010 £000 |
|-----------------------|--------------|--------------|
| On cash deposits | - | 1 |
| Foreign exchange gain | 100 | - |
| | 100 | 1 |

Notes to the financial statements

for the year ended 31 December 2011

10. Finance costs

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| On amounts due to related entity | 110 | 127 |
| Defined benefit pension scheme | 72 | 94 |
| Other – unwinding of discount on provision | 30 | 10 |
| | <u>212</u> | <u>231</u> |

11. Income tax

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Current tax | - | - |
| Tax losses relating to asset expensed in the year | - | 365 |
| Deferred tax movement on pension liability | 84 | 8 |
| Deferred tax | <u>84</u> | <u>373</u> |
| Income tax expense | <u>84</u> | <u>373</u> |

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to losses of the Company as follows

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Loss before tax | (1,192) | (67) |
| Tax calculated at applicable UK tax rates 26.5% (2010 28%) | (316) | (19) |
| Expenses not deductible | 1 | 13 |
| Depreciation in excess of capital allowances not recognised as an asset | (94) | (148) |
| Tax losses for which no deferred tax assets were recognised | 409 | 154 |
| Deferred tax asset write off | - | 365 |
| Deferred tax movement on pension liability | 84 | 8 |
| Income tax expense | <u>84</u> | <u>373</u> |

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Notes to the financial statements

for the year ended 31 December 2011

11. Income tax (continued)

The applicable tax rate in 2010 was 28%. In 2011 corporation tax rates were reduced from 28% to 26% and the 26.5% is a blended rate to reflect this.

A further reduction in the corporation tax rate has been announced and the rate is expected to fall to 23% in 2013.

The analysis of the deferred tax asset is as follows:

| | Tax losses £000 |
|---------------------------------|--------------------|
| 1 January 2010 | 365 |
| Charged to the income statement | (365) |
| 31 December 2010 | - |
| Charged to the income statement | - |
| 31 December 2011 | - |

Tax losses are recognised as an asset to the extent that realisation through future taxable profits is probable. Due to uncertainty of the timing and level of future taxable profits the Company did not recognise a deferred tax asset. As at 31 December 2011 the unrecognised tax asset amounted to £2,092,000 (2010: £2,203,000).

Notes to the financial statements

for the year ended 31 December 2011

12. Property, plant and equipment

| | Fixtures & fittings computer hardware £000 | Leasehold improvements £000 | Total £000 |
|----------------------------------|--|--------------------------------|---------------|
| Cost: | | | |
| At 1 January 2010 | 1,221 | 481 | 1,702 |
| Additions | 181 | - | 181 |
| Disposals | (16) | (7) | (23) |
| At 31 December 2010 | 1,386 | 474 | 1,860 |
| Additions | 75 | - | 75 |
| Disposals | - | (2) | (2) |
| At 31 December 2011 | 1,461 | 472 | 1,933 |
| Accumulated depreciation: | | | |
| At 1 January 2010 | 1,151 | 413 | 1,564 |
| Charge for the year | 84 | 32 | 116 |
| Disposals | (16) | - | (16) |
| At 31 December 2010 | 1,219 | 445 | 1,664 |
| Charge for the year | 84 | 20 | 104 |
| Disposals | - | (2) | (2) |
| At 31 December 2011 | 1,303 | 463 | 1,766 |
| Net book value: | | | |
| At 31 December 2011 | 158 | 9 | 167 |
| At 31 December 2010 | 167 | 29 | 196 |
| At 1 January 2010 | 70 | 68 | 138 |

Notes to the financial statements

for the year ended 31 December 2011

13. Intangible assets

| | Computer software £000 |
|----------------------------------|------------------------------|
| Cost: | |
| At 1 January 2010 | 147 |
| Additions | 126 |
| | <hr/> |
| At 31 December 2010 | 273 |
| Additions | 22 |
| | <hr/> |
| At 31 December 2011 | 295 |
| Accumulated amortisation: | |
| At 1 January 2010 | 89 |
| Charge for the year | 46 |
| | <hr/> |
| At 31 December 2010 | 135 |
| Charge for the year | 64 |
| | <hr/> |
| At 31 December 2011 | 199 |
| Net book value: | |
| At 31 December 2011 | 96 |
| | <hr/> <hr/> |
| At 31 December 2010 | 138 |
| | <hr/> <hr/> |
| At 1 January 2010 | 58 |
| | <hr/> <hr/> |

14. Inventories

| | 2011 £000 | 2010 £000 | 2009 £000 |
|------------------|--------------|--------------|--------------|
| Work in progress | 301 | 503 | 398 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The cost of inventory recognised as expense and recognised in cost of sales amounted to £5,122,000 (2010 £4,253 000)

Notes to the financial statements

for the year ended 31 December 2011

15. Trade and other receivables

| | 2011 £000 | 2010 £000 | 2009 £000 |
|--------------------------------------|--------------|--------------|--------------|
| Trade receivables | 1,737 | 2,770 | 2,558 |
| Amounts due from related undertaking | 699 | 781 | 1,379 |
| Prepayments and accrued income | 543 | 898 | 889 |
| Other receivables | 35 | 71 | 30 |
| | <u>3,014</u> | <u>4,520</u> | <u>4,856</u> |

The amounts due from related undertakings are unsecured and repayable on demand

16. Trade and other payables

| | 2011 £000 | 2010 £000 | 2009 £000 |
|---------------------------------------|--------------|---------------|---------------|
| Trade payables | 433 | 823 | 696 |
| Amounts owed to related undertaking | 5,938 | 5,482 | 5,282 |
| Other taxes and social security costs | 254 | 331 | 435 |
| Other payables | 931 | 828 | 1,117 |
| Deferred income | 82 | 225 | 483 |
| Accruals | 1,529 | 2,582 | 3,578 |
| | <u>9,167</u> | <u>10,271</u> | <u>11,591</u> |

The amounts owed to related undertakings are unsecured and repayable on demand

Trade and other payables are analysed as follows

| | 2011 £000 | 2010 £000 | 2009 £000 |
|-------------|--------------|---------------|---------------|
| Non current | 1,019 | 1,019 | 1,070 |
| Current | 8,148 | 9,252 | 10,521 |
| Total | <u>9,167</u> | <u>10,271</u> | <u>11,591</u> |

Notes to the financial statements

for the year ended 31 December 2011

17. Pension liability

The Company operates a defined benefit pension scheme based on final pensionable pay. The scheme is closed to new members and has no members that are currently accruing benefits. 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 statement of comprehensive income over the 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 4.3% per annum. The valuation showed that the market value of the scheme's assets was £3,008,000 (2010: £3,475,000).

The assumptions used for calculating the liabilities were as follows:

| | 2011 | 2010 | 2009 |
|---|------|------|------|
| RPI inflation | 2.9% | 3.7% | 3.8% |
| CPI inflation | 1.9% | n/a | n/a |
| Salary escalation | n/a | n/a | 4.3% |
| Pension increases | | | |
| - where fixed | 5.0% | 5.0% | 5.0% |
| - where subject to RPI, maximum 2.5% | 1.9% | 2.5% | 2.5% |
| Statutory revaluation in deferment | 1.9% | 3.7% | 3.8% |
| Discount rate (pre and post retirement) | 4.7% | 5.4% | 5.7% |
| Life expectancy for a 65 year old male | | | |
| - retiring on accounting date | 87.0 | 86.9 | 86.7 |
| - retiring 20 years after accounting date | 89.9 | 89.8 | 89.6 |

The scheme has a number of purchased annuities in respect of past retirements. These fully match the associated liabilities and so have been excluded from both the assets and the liabilities at each accounting date.

The scheme has additional voluntary contribution assets invested with Friends Provident Life and Pension Limited. These fully match the associated liabilities and so have been excluded from both the assets and liabilities.

Notes to the financial statements

for the year ended 31 December 2011

17. Pension liability (continued)

Balance sheet

The assets and liabilities of the scheme and the expected rates of return of each asset category are

| | 2011 £000 | Return | 2010 £000 | Return | 2009 £000 | Return |
|-------------------------------------|--------------|--------|--------------|--------|--------------|--------|
| Equities | - | | - | | - | |
| Bonds | - | | - | | - | |
| Property | - | | - | | - | |
| Cash and other net assets | (451) | 2.8% | 11 | 4.2% | 11 | 4.5% |
| Group pension contract | 3,459 | 4.3% | 3,464 | 4.9% | 2,851 | 5.0% |
| Total fair value of scheme assets | 3,008 | | 3,475 | | 2,862 | |
| Present value of scheme liabilities | (3,537) | | (4,548) | | (4,315) | |
| Deficit in scheme | (529) | | (1,073) | | (1,453) | |
| Related deferred tax asset | 132 | | 290 | | 407 | |
| | (397) | | (783) | | (1,046) | |

Statement of comprehensive income

| | 2011 £000 | 2010 £000 | 2009 £000 |
|--|--------------|--------------|--------------|
| Current service cost | - | 3 | 19 |
| Past service cost | - | - | - |
| Cost of settlement and curtailments | - | - | - |
| Operating charge | - | 3 | 19 |
| Expected return on the assets | 152 | 146 | 145 |
| Interest cost on scheme liabilities | (224) | (240) | (226) |
| Finance expense | (72) | (94) | (81) |
| Deferred tax charge recognised in income tax expense | (84) | (8) | (13) |
| Deferred tax charge recognised in other comprehensive income | (73) | (108) | 152 |
| Total deferred tax charge | (157) | (116) | 139 |

Notes to the financial statements

for the year ended 31 December 2011

17. Pension liability (continued)

Statement of comprehensive income

The amounts recognised in the statement of changes in equity are as follows

| | 2011 £000 | Return | 2010 £000 | Return | 2009 £000 | Return |
|---|--------------|--------|--------------|--------|--------------|---------|
| Actual return less expected return on pension scheme assets | 133 | 4.4% | 367 | 10.6% | (2) | (0.1)% |
| Experience gains and losses arising on the scheme liabilities | 110 | 3.1% | 205 | 4.5% | 46 | 1.1% |
| Changes on assumptions underlying the present value of the scheme liabilities | (3.5) | (1.0)% | (223) | (4.9)% | (588) | (13.6)% |
| Actuarial gain recognised in statement of changes in equity | 208 | 5.9% | 349 | 7.7% | (544) | (12.6)% |

The above percentages for the actual return less expected return are expressed as a percentage of the scheme assets at the end of the year. All other percentages shown are expressed as a percentage of the scheme liabilities at the end of the year.

The movement in surplus during the year is as follows (unless otherwise specified, the figures calculated are based on the assumptions as at the beginning of the year)

| | 2011 £000 | 2010 £000 | 2009 £000 |
|---------------------------------------|--------------|--------------|--------------|
| Assets in scheme at beginning of year | 3,475 | 2,862 | 3,063 |
| Movement in year | | | |
| Expected return on assets | 152 | 146 | 145 |
| Employer contributions | 408 | 128 | 145 |
| Member contributions | - | 1 | 3 |
| Benefits paid | (1,160) | (29) | (492) |
| Actuarial gain on assets | 133 | 367 | (2) |
| Assets in scheme at end of year | 3,008 | 3,475 | 2,862 |

| | 2011 £000 | 2010 £000 | 2009 £000 |
|--|--------------|--------------|--------------|
| Liabilities in scheme at beginning of year | 4,548 | 4,315 | 4,017 |
| Movement in year | | | |
| Interest cost | 224 | 240 | 226 |
| Current service cost | - | 3 | 19 |
| Member contributions | - | 1 | 3 |
| Benefits paid | (1,160) | (29) | (492) |
| Actuarial gain on liabilities | (75) | 18 | 542 |
| Liabilities in scheme at end of year | 3,537 | 4,548 | 4,315 |

The benefits paid in the year included a £485,000 one-off payment resulting from a review of the policy relating to RPI indexing.

Notes to the financial statements

for the year ended 31 December 2011

17. Pension liability (continued)

The fair value of plan assets and present value of the defined benefit obligation for the year and four previous years are as follows

| | 2011 £000 | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 |
|---|--------------|----------------|----------------|--------------|----------------|
| Fair value of plan assets | 3,008 | 3,475 | 2,862 | 3,063 | 3,331 |
| Present value of defined benefit obligation | (3,537) | (4,548) | (4,315) | (4,017) | (4,435) |
| Deficit in plan | <u>(529)</u> | <u>(1,073)</u> | <u>(1,453)</u> | <u>(954)</u> | <u>(1,104)</u> |

The Company expects to make contributions of £125,000 in the year ending 31 December 2012

The Company also contributes to a defined contribution pension scheme for its employees. The pension charge for the period represents contributions paid by the Company to the fund and amounted to £190,000 (2010 £218,000). Outstanding contributions as at 31 December 2011 amounted to £23,000 (2010 £29,000).

18. Provision for other liabilities and charges

| | £000 |
|--|------------|
| At 1 January 2010 | 229 |
| Charged / (credited) to income statement | |
| Additional provision created | 65 |
| Used during the year | (62) |
| Unwinding of discount | 10 |
| At 31 December 2010 | <u>242</u> |
| Charged / (credited) to income statement | |
| Additional provision created | 1,000 |
| Used during the year | (606) |
| Unwinding of discount | 30 |
| At 31 December 2011 | <u>666</u> |

Notes to the financial statements

for the year ended 31 December 2011

18. Provision for other liabilities and charges (continued)

The onerous lease provision relates to office space in Putney and Bristol (see note 25) and will be fully unwound by 31 December 2014. The dilapidations provision also relates to these offices and will be utilised by 31 December 2014.

The provision is analysed as follows

| | 2011 £000 | 2010 £000 | 2009 £000 |
|--------------|--------------|--------------|--------------|
| Non current | 300 | 81 | 167 |
| Current | 366 | 161 | 62 |
| Total | 666 | 242 | 229 |

19. Financial instruments

The following analyses the Company's financial instruments by

| | 2011 Loans and receivables £000 | 2010 Loans and receivables £000 | 2009 Loans and receivables £000 |
|--|--|--|--|
| <i>Assets as per statement of financial position</i> | | | |
| Trade and other receivables | 1,772 | 2,841 | 2,588 |
| Related party receivables | 699 | 781 | 1,379 |
| Cash and cash equivalents | 1,582 | 1,681 | 2,992 |
| | 4,053 | 5,303 | 6,959 |
| | 2011 Liabilities £000 | 2010 Liabilities £000 | 2009 Liabilities £000 |
| <i>Liabilities as per statement of financial position</i> | | | |
| Trade and other payables | (3,161) | (4,564) | (5,826) |
| Related party payables | (5,938) | (5,482) | (5,282) |
| | (9,099) | (10,046) | (11,108) |

Notes to the financial statements

for the year ended 31 December 2011

20. Ordinary shares

| | 2011 £000 | 2010 £000 | 2009 £000 |
|--|--------------|--------------|--------------|
| Authorised, allotted, called up and fully paid | | | |
| 12,500 Ordinary shares of £1 each | 13 | 13 | 13 |
| 4,000,000 'A' Ordinary shares of £1 each | 4,000 | 4,000 | 4,000 |
| | <u>4,013</u> | <u>4,013</u> | <u>4,013</u> |

Share capital relates to the nominal value of issued share capital

21. Share premium

| | 2011 £000 | 2010 £000 | 2009 £000 |
|---------------|--------------|--------------|--------------|
| Share premium | 924 | 924 | 924 |
| | <u>924</u> | <u>924</u> | <u>924</u> |

Share premium relates to the consideration received for share capital in excess of the nominal value of shares

22. Capital contribution

| | 2011 £000 | 2010 £000 | 2009 £000 |
|----------------------|--------------|--------------|--------------|
| Capital contribution | 1,403 | 1,074 | 1,074 |
| | <u>1,403</u> | <u>1,074</u> | <u>1,074</u> |

Capital contribution represents the capital contributed to the Company, including the expense of its employees participating in Aimia Inc 's share based payments schemes and other contributed capital

Notes to the financial statements

for the year ended 31 December 2011

23. Share based payment

Various key staff of the Company participate in share-based compensation schemes run by Aimia Inc. The number of Aimia stock options granted to employees during the year, the related compensation expense recorded, and the assumptions used to determine stock-based compensation expense, using the binomial options pricing model, were as follows

| | 2011 | 2010 |
|--|--------|---------|
| Expense relating to options granted | 196 | - |
| Number of options | 32,477 | 52,637 |
| Weighted average fair value per option granted (£) | 2.45 | 2.15 |
| Aggregate fair value of options granted (£) | 80,000 | 113,000 |
| <i>Weighted average assumptions</i> | | |
| Share price (Canadian dollars) | 12.74 | 10.96 |
| Exercise price (Canadian dollars) | 12.74 | 10.96 |
| Risk free rate | 2.97% | 3.09% |
| Expected volatility | 35.76% | 39.00% |
| Dividend yield | 4.00% | 4.50% |
| Expected option life (years) | 7 | 7 |
| Vesting conditions – time (years) | 4 | 4 |

The volatility measured at the standard deviation of continuous compounded share returns is based on statistical analysis of Aimia's daily share prices over the last seven years

A summary of the activity related to employees participating in the Aimia Long-Term Incentive Plan is as follows

| | 2011 Number of options | 2011 Weighted average exercise price £ | 2010 Number of options | 2010 Weighted average exercise price £ |
|---|------------------------------|---|------------------------------|---|
| Options outstanding – beginning of year | 118,082 | 6.53 | 65,445 | 5.82 |
| Granted | 32,477 | 8.06 | 52,637 | 6.81 |
| Exercised | (1,304) | 6.84 | - | - |
| Forfeited | (3,919) | 6.84 | - | - |
| Options outstanding – end of year | 145,336 | 6.76 | 118,082 | 6.53 |
| Options exercisable – end of year | 40,659 | 6.24 | 16,631 | 6.16 |

Notes to the financial statements

for the year ended 31 December 2011

23. Share based payments (continued)

The details of the Aimia's PSUs relating to the Company's employees is as follows

| | 2011 | 2010 |
|--|--------|---------|
| PSUs outstanding – beginning of year | 25,353 | 18,848 |
| Granted | 4,967 | 7,934 |
| Forfeited | - | (1,429) |
| PSUs outstanding – end of year | 30,320 | 25,353 |
| Weighted average fair value of unit on date of grant (£) | 8 06 | 6 81 |

The PSUs vest 3 years after the grant, subject to performance conditions

Total stock based compensation for the years ended 31 December 2011 and 2010 was

| | 2011 £'000 | 2010 £'000 |
|---------------|---------------|---------------|
| Stock options | 196 | - |
| PSUs | 133 | - |
| | 329 | - |

24. Capital disclosures

The Company's capital structure is managed to meet local requirements and at the same time as a component of Aimia Inc's group strategy. The Aimia Inc group ("Aimia Group") considers capital to consist of cash and cash equivalents, short-term investments, long-term investments in corporate and government bonds, long-term debt and total equity attributable to the equity holders of the Corporation (excluding accumulated other comprehensive income).

The Aimia Group's main objectives when managing capital are

- to provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business,
- to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations,
- to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, and
- to provide a rewarding return on investment to shareholders

The Company's capital relates to its ordinary shares, share premium, capital contribution and retained earnings

Notes to the financial statements

for the year ended 31 December 2011

25. Other financial commitments

The Company leases office space for its operations. The future aggregate minimum lease payments under non-cancellable operating leases are as follows

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| No later than one year | 92 | 396 |
| Later than one year and no later than five years | - | 966 |
| Later than five years | - | - |
| | <u>92</u> | <u>1,362</u> |

Other financial commitments relates to office space

The Company has leased office space in Putney until 2013. In the year the Company vacated these offices and the premises were left vacant. To reflect this an onerous lease provision was recognised in the financial statements. Subsequently part of the premises were sublet and the provision reduced to reflect this.

The Company has leased premises in Bristol with a term that ends in 2012. These premises are also vacant and an onerous lease provision has been recognised in the financial statements.

The Company also has office space in Northampton, where the term of the lease is to 2012.

As the liability for the onerous leases is recognised in the Company's statement of financial position the related commitment is not disclosed here.

Payments under operating leases amounted to £520,000 (2010: £533,000)

Notes to the financial statements

for the year ended 31 December 2011

26. Related party disclosures

The Company's related parties are other companies in the Aimia Inc group of companies

The following transactions were carried out with related parties

Receivables

| | 2011 £000 | 2010 £000 |
|-----------------|--------------|--------------|
| From associates | 699 | 781 |

Receivables balances arise from the Company providing services to, and bearing the costs of, other Aimia Inc group companies

Payables

| | 2011 £000 | 2010 £000 |
|-----------------|--------------|--------------|
| From parent | 1,019 | 1,019 |
| From associates | 4,919 | 4,463 |
| | 5,938 | 5,482 |

Payables balances arise from other Aimia Inc group companies providing services to, and bearing the costs of, the Company

| | 2011 £000 | 2010 £000 |
|-----------------|--------------|--------------|
| <i>Revenue</i> | | |
| From associates | 463 | 282 |

| | 2011 £000 | 2010 £000 |
|-------------------------|--------------|--------------|
| <i>Interest payable</i> | | |
| To associates | 110 | 127 |

Key management compensation

Key management is considered to be the board of directors and their compensation is disclosed in note 8

Notes to the financial statements

for the year ended 31 December 2011

27. Contingent liabilities

As at 31 December 2011 Aimia Inc has authorised credit facilities of CAD \$850 million (2010 CAD \$950 million) and has drawn down CAD \$590 million (2010 CAD \$650 million) The credit facilities are secured substantially on all present and future assets of the group which includes the Company In 2012, before the date of the signing of the financial statements a further CAD \$250 million of debt was issued and a CAD \$200 million credit facility was repaid

Notes to the financial statements

for the year ended 31 December 2011

28. Reconciliation of equity and total comprehensive income on conversion from UK GAAP to IFRS

Reconciliation of balance sheets at 1 January 2010

| | | 1 January 2010 UK GAAP £000 | 1 January 2010 Transition to IFRS £000 | 1 January 2010 IFRS £000 |
|--|---|--------------------------------------|--|-----------------------------------|
| Non-current assets | | | | |
| Property, plant and equipment | A | 196 | (58) | 138 |
| Intangible assets | | - | 58 | 58 |
| Deferred income tax assets | | 365 | - | 365 |
| | | <u>561</u> | <u>-</u> | <u>561</u> |
| Current assets | | | | |
| Inventories | | 398 | - | 398 |
| Trade and other receivables | | 4,856 | - | 4,856 |
| Cash and cash equivalents | | 2,992 | - | 2,992 |
| | | <u>8,246</u> | <u>-</u> | <u>8,246</u> |
| Total assets | | <u>8,807</u> | <u>-</u> | <u>8,807</u> |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Other payables | | (1,070) | - | (1,070) |
| Retirement benefit obligations | | (1,046) | - | (1,046) |
| Provisions for other liabilities and charges | | (167) | - | (167) |
| | | <u>(2,283)</u> | <u>-</u> | <u>(2,283)</u> |
| Current liabilities | | | | |
| Trade and other payables | | (10,521) | - | (10,521) |
| Provisions for other liabilities and charges | | (62) | - | (62) |
| | | <u>(12,866)</u> | <u>-</u> | <u>(12,866)</u> |
| Total liabilities | | <u>(12,866)</u> | <u>-</u> | <u>(12,866)</u> |
| Net liabilities | | <u>(4,059)</u> | <u>-</u> | <u>(4,059)</u> |
| Equity | | | | |
| Ordinary shares | | 4,013 | - | 4,013 |
| Share premium | | 924 | - | 924 |
| Capital contribution | | 1,074 | - | 1,074 |
| Retained earnings | | (10,070) | - | (10,070) |
| | | <u>(4,059)</u> | <u>-</u> | <u>(4,059)</u> |
| Total deficit | | <u>(4,059)</u> | <u>-</u> | <u>(4,059)</u> |

Notes to the financial statements

for the year ended 31 December 2011

28. Reconciliation of equity and total comprehensive income on conversion from UK GAAP to IFRS

Reconciliation of balance sheets at 31 December 2010

| | | 31 December 2010 UK GAAP £000 | 31 December 2010 Transition to IFRS £000 | 31 December 2010 IFRS £000 |
|--|---|--|--|-------------------------------------|
| Non-current assets | | | | |
| Property, plant and equipment | A | 334 | (138) | 196 |
| Intangible assets | | - | 138 | 138 |
| Deferred income tax assets | | - | - | - |
| | | 334 | - | 334 |
| Current assets | | | | |
| Inventories | | 503 | - | 503 |
| Trade and other receivables | | 4,520 | - | 4,520 |
| Cash and cash equivalents | | 1,681 | - | 1,681 |
| | | 6,704 | - | 6,704 |
| Total assets | | 7,038 | - | 7,038 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Other payables | | (1,019) | - | (1,019) |
| Retirement benefit obligations | | (783) | - | (783) |
| Provisions for other liabilities and charges | | (81) | - | (81) |
| | | (1,883) | - | (1,883) |
| Current liabilities | | | | |
| Trade and other payables | | (9,252) | - | (9,252) |
| Provisions for other liabilities and charges | | (161) | - | (161) |
| Total liabilities | | (11,296) | - | (11,296) |
| Net liabilities | | (4,258) | - | (4,258) |
| Equity | | | | |
| Ordinary shares | | 4,013 | - | 4,013 |
| Share premium | | 924 | - | 924 |
| Capital contribution | | 1,074 | - | 1,074 |
| Retained earnings | | (10,269) | - | (10,269) |
| Total deficit | | (4,258) | - | (4,258) |

Notes to the financial statements

for the year ended 31 December 2011

28 Reconciliation of equity and total comprehensive income on conversion from UK GAAP to IFRS (continued)

A Under UK GAAP software costs are classified as tangible fixed assets, under IFRS they are considered to be intangible fixed assets

There were no material differences between the UK GAAP and IFRS statement of comprehensive income for the year ended 31 December 2010