

# **Aimia Proprietary Loyalty UK Limited**

## **Annual Report and Financial Statements**

For the year ended 31 December 2016



## **Directors and advisers**

### **Directors**

S Hawkes  
J Levy  
M Grafton  
M Southey  
E Vo-Quang

### **Company secretary**

J Levy

### **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**

6<sup>th</sup> Floor  
80 Strand  
London WC2R 0N

## Strategic Report

The directors present their strategic report for Aimia Proprietary Loyalty UK Limited (the "Company") for the year ended 31 December 2016.

### Principal activities

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

### Business review

The key performance indicator used to manage the business is earnings before interest, tax, depreciation and amortisation ('EBITDA'). The EBITDA for the year ended 31 December 2016 was a profit of £2,724,000 (2015: profit of £4,125,000). The loss for the year ended 31 December 2016 was £26,008,000 (2015: profit of £315,000). These movements are a result of the full impairment of its intangibles by £22,210,000 during the year following an impairment review which concluded the global product development software assets will not generate profit in the foreseeable future.

The Company had net liabilities of £40,325,000 at 31 December 2016 (2015: £13,755,000).

	2016 £000	2015 £000
EBITDA	2,726	4,125
Impairment charge	(22,210)	-
Interest charge	(1,068)	(57)
Depreciation and amortisation	<u>(5,458)</u>	<u>(3,755)</u>
<b>(Loss) / Profit before tax</b>	<b>(26,010)</b>	<b>315</b>

### 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. Furthermore, Brexit has added increased volatility and uncertainty to the economy. 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.

### Future developments

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.

### On behalf of the board



M Southey  
Director

14 September 2017

## Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

### Dividends

No interim dividends were declared for the year (2015: £nil). The directors have not proposed a final dividend in respect of the year ended 31 December 2016 (2015: £nil).

### Going concern

The Company has net current liabilities and net total liabilities and relies on the support of its ultimate controlling party, Aimia Inc. Aimia Inc. has provided a letter of support confirming support will be forthcoming for the foreseeable future and the directors have therefore adopted the going concern basis of accounting in preparing the its financial statements.

### Financial risk management

The Company's key financial risks are credit risk and liquidity risk.

Credit risk is the risk of loss due to counterparty's inability to meet its obligations. At 31 December 2016, 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.

### Political donations

It is the Company's policy not to make political contributions and accordingly none was made in the year (2015: £nil).

## Directors' Report (continued)

### 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.

### 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.

### 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	(Resigned 31 Mar 2016)
S Hawkes	
J Levy	
M Hounsell	(Resigned 27 Jan 2016)
J Lips	(Resigned 31 Jan 2017)
T Lonnum	(Resigned 31 Aug 2017)
M Grafton	(Appointed 31 Aug 2017)
M Southey	
E Vo-Quang	(Appointed 27 Jan 2016)

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.

### Future developments and financial risk management

An analysis of the future developments affecting the company and its financial risk policies are included in the Strategic Report.

## Directors' Report (continued)

### Statement of directors' responsibilities in respect of the financial statements

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

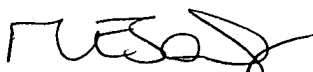
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 Southey

Director

14 September 2017

## **Independent auditors' report**

**to the members of Aimia Proprietary Loyalty UK Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Aimia Proprietary Loyalty UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its 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.

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

## **Independent auditors' report (continued)**

**to the members of Aimia Proprietary Loyalty UK Limited**

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities 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 ISAs (UK & 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.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Kate Wolstenholme (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
14 September 2017



# Statement of comprehensive income

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
<b>Revenue</b>	4	9,955	17,409
Cost of sales		(2,714)	(7,089)
<b>Gross profit</b>		7,241	10,320
Administrative expenses	6	(9,817)	(9,948)
Impairment charge	13	(22,210)	-
<b>Operating (loss) / profit</b>		(24,786)	372
Finance income	9	-	59
Finance costs	10	(1,224)	(116)
<b>(Loss) / profit before income tax</b>		(26,010)	315
Income tax	11	2	2
<b>(Loss) / profit for the financial year</b>		(26,008)	317
Other comprehensive income / (expense)		(562)	253
<b>Total comprehensive (expense) / income</b>		(26,570)	570

There is no material difference between the profit before income tax and the profit for the financial years stated above and their historical cost equivalents.

All of the Company's operations are continuing.

The accompanying notes on pages 11 to 24 form an integral part of these financial statements.

**Statement of financial position****as at 31 December 2016**

	Note	2016 £000	2015 £000
<b>Non-current assets</b>			
Property, plant and equipment	12	5	25
Intangible assets	13	-	20,525
Retirement benefit assets	17	-	56
		<u>5</u>	<u>20,606</u>
<b>Current assets</b>			
Trade and other receivables	14	15,605	14,930
Cash and cash equivalents		<u>6,005</u>	<u>2,560</u>
		<u>21,610</u>	<u>17,490</u>
<b>Total assets</b>		<u>21,615</u>	<u>38,096</u>
<b>Non-current liabilities</b>			
Trade and other payables	16	(946)	(946)
Retirement benefit obligations	17	(516)	-
Other financial payables	18	-	(8)
		<u>(1,462)</u>	<u>(954)</u>
<b>Current liabilities</b>			
Trade and other payables	15	(60,478)	(50,885)
Other financial payables	18	-	(12)
		<u>(60,478)</u>	<u>(50,897)</u>
<b>Net current liabilities</b>		<u>(38,868)</u>	<u>(33,407)</u>
<b>Total liabilities</b>		<u>(61,940)</u>	<u>(51,851)</u>
<b>Net liabilities</b>		<u>(40,325)</u>	<u>(13,755)</u>
<b>Equity</b>			
Called up share capital	19	4,013	4,013
Share premium account	20	924	924
Capital contribution	21	1,379	1,379
Accumulated losses		<u>(46,641)</u>	<u>(20,071)</u>
<b>Total equity</b>		<u>(40,325)</u>	<u>(13,755)</u>

These financial statements were approved by the board of directors on 14 September 2017 and were signed on its behalf by:



M Southey, Director

The accompanying notes on pages 11 to 24 form an integral part of these financial statements.

**Statement of changes in equity****for the year ended 31 December 2016**

	Called up share capital £000	Share premium account £000	Capital contribution £000	Accumulated losses £000	Total equity £000
<b>Balance at 1 January 2015</b>	4,013	924	1,379	(20,641)	(14,325)
<i>Comprehensive expense</i>					
Profit for the year restated	-	-	-	317	317
Actuarial profit on post-employment pension obligations	-	-	-	314	314
Impact of deferred tax on pension liability	-	-	-	(56)	(56)
Impact of change in tax rate on deferred tax recognised on pension liability	-	-	-	(5)	(5)
Total comprehensive expense	-	-	-	570	570
<i>Transactions with owners</i>					
Share based payments	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
<b>Balance at 31 December 2015</b>	4,013	924	1,379	(20,071)	(13,755)
<i>Comprehensive income</i>					
Loss for the year	-	-	-	(26,008)	(26,008)
Actuarial loss on post-employment pension obligations	-	-	-	(678)	(678)
Impact of deferred tax on pension liability	-	-	-	115	115
Impact of change in tax rate on deferred tax recognised on pension liability	-	-	-	1	1
Total comprehensive income	-	-	-	(26,570)	(26,570)
<i>Transactions with owners</i>					
Share based payments	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
<b>Balance at 31 December 2016</b>	4,013	924	1,379	(46,641)	(40,325)

The accompanying notes on pages 11 to 24 form an integral part of these financial statements

## Notes to the financial statements

for the year ended 31 December 2016

### 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.

The Company is owned by Aimia Foreign Holdings UK Limited, a UK company, and its ultimate parent company and controlling party 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](http://www.aimia.com).

### 2. Accounting policies

#### Basis of preparation

These financial statements have been prepared on a going concern basis in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a ‘qualifying entity’ as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 1 gives details of the Company’s ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Cash flow statement;
- Related party transactions between the parent and wholly owned subsidiaries;
- Reconciliation of property, plant and equipment, intangible assets and equity movements for the comparative year;
- Management of financial risk disclosures including management of credit, liquidity, and market risk and interest rate sensitivity analysis;
- Disclosures around categories of financial instruments; and
- Disclosure of new accounting standards and interpretations.

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

## Notes to the financial statements (continued)

for the year ended 31 December 2016

### 2. Accounting policies (continued)

#### Going concern

The Company has net current liabilities and net total liabilities and relies on the support of its ultimate controlling party, Aimia Inc. Aimia Inc. has provided a letter of support confirming support will be forthcoming for the foreseeable future and the directors have therefore adopted the going concern basis of accounting in preparing the its 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.

#### Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment.

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

Computer software	-	straight line over 3 – 5 years
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#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. 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:

Fixtures & fittings and computer hardware	-	17% - 33% per annum
Leasehold improvements	-	over the term of the lease

#### 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.

#### 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.

## Notes to the financial statements (continued)

for the year ended 31 December 2016

### 2. Accounting policies (continued)

#### 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 year; 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.

#### 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.

#### Trade and other payables

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 for other liabilities and charges

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 statement of comprehensive income.

## **Notes to the financial statements (continued)**

**for the year ended 31 December 2016**

### **2. Accounting policies (continued)**

#### **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.

#### **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.

#### **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 and or 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 (continued)

for the year ended 31 December 2016

### 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 defined benefit pension schemes (note 17) and the carrying value of intangible assets (note 13).

Management performed a review for impairment of intangible assets and decided to write off all the software development capitalised valued at £22,210k.

### 4. Revenue

Revenue represents billings from the provision of proprietary loyalty services and arises solely within the United Kingdom.

### 5. Auditors' remuneration

	2016	2015
	£000	£000
Audit of the financial statements	85	85
Amounts receivable by auditors and their associates in respect of:		
Taxation	-	-
	<u>85</u>	<u>85</u>

### 6. Administrative expenses

	2016	2015
	£000	£000
Staff costs	1,696	1,779
Depreciation and amortisation	5,458	3,755
Rent, professional fees, IT contractor and communications and other costs	2,663	4,414
	<u>9,817</u>	<u>9,948</u>



## Notes to the financial statements (continued)

for the year ended 31 December 2016

### 7. Staff costs

	2016 £000	2015 £000
Wages and salaries	1,435	1,560
Social security costs	181	94
Share based payment	(15)	8
Other pension costs	95	117
	<u>1,696</u>	<u>1,779</u>

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

	2016 Number	2015 Number
Operations	11	31

### 8. Directors' emoluments

The directors of the Company did not receive any remuneration for services to the Company for the year ended 31 December 2016 (2015: £nil) as these are borne by other Aimia Inc. group companies. An apportionment of their remuneration, based on revenues, in respect of their work for this company is £51,000 (2015: £58,000).

#### *Key management compensation*

Key management is considered to be the board of directors and their compensation is borne by other Aimia Inc. group companies.

### 9. Finance income

	2016 £000	2015 £000
Foreign exchange gain	<u>-</u>	<u>59</u>

### 10. Finance costs

	2016 £000	2015 £000
On amounts due to related entities	1,221	106
Interest on pension scheme	3	10
	<u>1,224</u>	<u>116</u>

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**11. Income tax**

	2016 £000	2015 £000
Current tax	-	-
Deferred tax movement on pension liability	(2)	(2)
Deferred tax	(2)	(2)
Income tax credit	(2)	(2)

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:

	2016 £000	2015 £000
(Loss) / Profit before income tax	(26,010)	315
Tax calculated at applicable UK tax rate of 20% (2015: 20.25%)	(5,202)	64
Expenses not deductible	-	1
Adjustments to brought forward balances	-	(3)
Deferred tax movement on pension liability	(2)	(2)
Group relief surrendered	986	-
Deferred tax not recognised	4,216	(128)
Tax losses carried forward/(utilised)	-	66
	(2)	(2)

The applicable tax rate in 2016 was 20%.

Management believe the level and timing of future taxable profits is not certain and has therefore recognised no deferred tax asset in respect of tax losses and depreciation in advance of capital allowances. As at 31 December 2016 the unrecognised deferred tax asset amounted to £6,666,000 (2015: £2,807,000). This is calculated using the future corporation tax rate of 17% as this is the rate which was substantively enacted at the balance sheet date.

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**12. Property, plant and equipment**

	Furniture & equipment & computer hardware £000	Leasehold improvements £000	Total £000
<b>Cost</b>			
As at 1 January and 31 December 2016	1,606	472	2,078
<b>Accumulated depreciation</b>			
At 1 January 2016	1,581	472	2,053
Charge for the year	20	-	20
At 31 December 2016	1601	472	2,073
<b>Net book value</b>			
At 31 December 2016	5	-	5
At 31 December 2015	25	-	25

**13. Intangible assets**

	Computer software £000
<b>Cost</b>	
At 1 January 2016	27,524
Additions	7,071
At 31 December 2016	34,595
<b>Accumulated amortisation</b>	
At 1 January 2016	6,999
Charge for the year	5,386
Impairment charge	22,210
At 31 December 2016	34,595
<b>Net book value</b>	
At 31 December 2016	-
At 31 December 2015	20,525

Following the annual impairment testing, it was concluded that the global product development software assets will not generate profit in the foreseeable future and as such has recorded impairment charges of the software asset to the value of £22,210,000.

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**14. Trade and other receivables**

	2016	2015
	£000	£000
Trade receivables	1,526	1,739
Other receivables	-	1,464
Prepayments and accrued income	902	1,308
Amounts due from related entities	13,177	10,419
	<u>15,605</u>	<u>14,930</u>

The amounts due from related undertakings are unsecured, repayable on demand and non-interest bearing.

**15. Trade and other payables - current**

	2016	2015
	£000	£000
Other payables	175	2,055
Other taxes and social security	-	1
Deferred income	222	61
Accruals	1,082	867
Amounts due to related entities	58,999	47,901
	<u>60,478</u>	<u>50,885</u>

**16. Trade and other payables – non current**

	2016	2015
	£000	£000
Amounts due to related entities	946	946
	<u>946</u>	<u>946</u>

## Notes to the financial statements (continued)

for the year ended 31 December 2016

### 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 2016 and used the projected accrued benefit method. The key assumptions used for calculating the liabilities were as follows:

	2016 £000	2015 £000
RPI inflation	2.8%	2.3%
CPI inflation	1.8%	1.3%
Discount rate	2.6%	4.1%
Pension increases, where subject to RPI, max. 2.5%	2.1%	2.3%
Life expectancy for a 65 year old male:		
- retiring on accounting date	87.3	87.6
- retiring 20 years after accounting date	89.5	90.5

#### Balance sheet

The assets and liabilities of the scheme are:

	2016 £000	2015 £000
Cash and other net assets	345	589
Equities	978	1,188
Bonds	398	432
Total fair value of scheme assets	1,721	2,209
Present value of scheme liabilities	(2,343)	(2,141)
Scheme (deficit) / asset	(622)	68
Related deferred tax asset / (liability)	114	(12)
	<u>(508)</u>	<u>56</u>

## Notes to the financial statements (continued)

for the year ended 31 December 2016

### 17. Pension liability (continued)

#### *Statement of comprehensive income*

	2016 £000	2015 £000
Administration costs	9	10
Net interest expense	3	10
	<u>12</u>	<u>20</u>
Deferred tax credit recognised in income tax expense	2	2
Deferred tax credit / (charge) recognised in other comprehensive income	116	(61)
Total deferred tax credit / (charge)	<u>118</u>	<u>(59)</u>

#### *Statement of changes in equity*

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

	2016 £000	2015 £000
Actual return less expected return on scheme assets	(11)	(232)
Experience (losses) / gains arising on scheme liabilities	(59)	294
Changes in assumptions underlying the present value of scheme liabilities	(608)	252
Actuarial (loss) / gain recognised in statement of changes in equity	<u>(678)</u>	<u>314</u>

The movement in scheme assets and liabilities during the year is as follows:

	2016 £000	2015 £000
Assets in scheme at beginning of year	2,209	2,788
Interest income	74	91
Employer contributions	-	10
Administration costs	(9)	(10)
Benefits paid	(542)	(438)
Actuarial loss on assets	(11)	(232)
Assets in scheme at end of year	<u>1,721</u>	<u>2,209</u>

# Notes to the financial statements (continued)

for the year ended 31 December 2016

## 17. Pension liability (continued)

	2016 £000	2015 £000
Liabilities in scheme at beginning of year	2,141	3,024
Interest cost	77	101
Benefits paid	(542)	(438)
Actuarial loss / (gain) on liabilities	667	(546)
Liabilities in scheme at end of year	<u>2,343</u>	<u>2,141</u>

The Company expects to make contributions of £nil in the year ending 31 December 2017.

The Company also contributes to a defined contribution pension scheme for its employees. The pension charge for the year represents contributions paid by the Company to the fund and amounted to £95,000 (2015: £117,000). Outstanding contributions as at 31 December 2016 amounted to £nil (2015: £nil).

## 18. Other financial payables

	2016 £000	2015 £000
Current cash settled share based payments	-	12
Non-current cash settled share based payments	-	8
	<u>-</u>	<u>20</u>

The other financial payables comprise liabilities under cash settled share based schemes (see note 22).

## 19. Called up share capital

	2016 £000	2015 £000
Authorised, allotted, called up and fully paid:		
12,500 Ordinary shares of £1 each	13	13
4,000,000 'A' Ordinary shares of £1 each	4,000	4,000
	<u>4,013</u>	<u>4,013</u>

Share capital relates to the nominal value of issued share capital.

## Notes to the financial statements (continued)

for the year ended 31 December 2016

### 20. Share premium account

	2016	2015
	£000	£000
Share premium	924	924

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

### 21. Capital contribution

	2016	2015
	£000	£000
At 31 December	1,379	1,379

Capital contributions represent 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.

### 22. Share based payments

Various key staff of the Company participate in share-based compensation schemes run by Aimia Inc.

	2016	2015
<i>Share Options:</i>		
Weighted average grant price of options exercised during the year (Canadian dollars) (no options exercised in 2016 or 2015)	n/a	n/a
Weighted average grant price of outstanding options (Canadian dollars)	-	10.85
Weighted average remaining life (years)	-	1.2
<i>PSUs:</i>		
Weighted average remaining life (years)	-	1.2



## Notes to the financial statements (continued)

for the year ended 31 December 2016

### 23. 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:

	2016 £000	2015 £000
No later than one year	-	11
Later than one year and no later than five years	-	-
	<u>-</u>	<u>11</u>

Payments under operating leases during the year amounted to £11,000 (2015: £118,000).

### 24. Related party disclosures

The Company's related parties are other companies in the Aimia Inc. group of companies as well as key management personnel. As permitted by Financial Reporting Standard 101, transactions with companies wholly owned by the Aimia Inc. group of companies have not been disclosed.