



AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010





MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Groupe Aeroplan Inc., doing business as Aimia, are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, which are now International Financial Reporting Standards ("IFRS"). The consolidated financial statements include some amounts and assumptions based on management's best estimates which have been derived with careful judgement.

In fulfilling its responsibilities, management of the corporation has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the financial statements. The Board of Directors reviews and approves the corporation's consolidated financial statements.

February 22, 2012

(signed) "Rupert Duchesne"

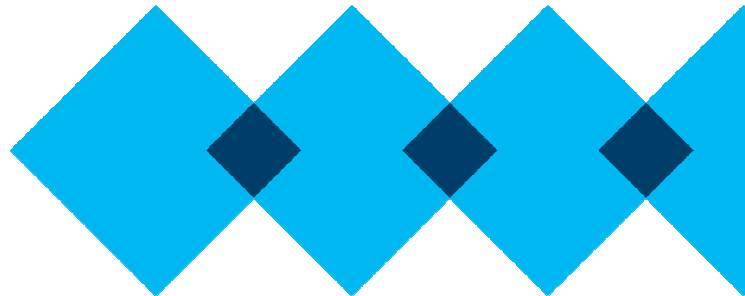
RUPERT DUCHESNE

President and Chief Executive Officer

(signed) "David L. Adams"

DAVID L. ADAMS

Executive Vice President and Chief Financial Officer





February 22, 2012

Independent Auditor's Report

To the Shareholders of Groupe Aeroplan inc.

We have audited the accompanying consolidated financial statements of Groupe Aeroplan inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and December 31, 2010 and January 1, 2010 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Groupe Aeroplan inc. and its subsidiaries as at December 31, 2011 and December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

¹ Chartered accountant auditor permit No. 15621



CONSOLIDATED STATEMENTS OF OPERATIONS

		For the years ended December 31,	
<i>(in thousands of Canadian dollars, except share and per share amounts)</i>		2011	2010
Revenue	Notes 2 & 6	\$ 2,115,905	\$ 2,056,235
Cost of sales			
Cost of rewards and direct costs	Notes 12 & 19	1,332,874	1,295,282
Depreciation and amortization	Note 15	36,033	32,454
Amortization of accumulation partners' contracts, customer relationships and technology	Note 15	93,474	90,308
		1,462,381	1,418,044
Gross margin		653,524	638,191
Operating expenses			
Selling and marketing expenses		406,007	432,067
General and administrative expenses	Notes 5 & 17	152,640	110,526
Impairment of goodwill	Note 15	53,901	-
		612,548	542,593
Operating income		40,976	95,598
Financial income	Note 7	10,268	24,171
Financial expenses	Note 7	(59,378)	(64,981)
Net financing costs		(49,110)	(40,810)
Share of net loss of Premier Loyalty & Marketing, S.A.P.I. de C.V.	Note 3	(4,444)	-
Earnings (loss) before income taxes		(12,578)	54,788
Income tax expense			
Current	Note 23	(51,354)	(41,046)
Deferred	Note 23	(13,019)	(5,464)
		(64,373)	(46,510)
Net earnings (loss) for the year		\$ (76,951)	\$ 8,278
Net earnings (loss) attributable to:			
Equity holders of the Corporation		(59,678)	14,923
Non-controlling interests		(17,273)	(6,645)
Net earnings (loss) for the year		\$ (76,951)	\$ 8,278
Weighted average number of shares		179,146,339	194,748,024
Earnings (loss) per common share			
Basic and fully diluted	Note 8	\$ (0.40)	\$ 0.02

The accompanying notes are an integral part of these financial statements.



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the years ended December 31,	
	2011	2010
<i>(in thousands of Canadian dollars, except share and per share amounts)</i>		
Net earnings (loss) for the year	\$ (76,951)	\$ 8,278
Other comprehensive income (loss)		
Foreign currency translation adjustments on consolidation of foreign subsidiaries	7,562	(36,309)
Defined benefit plans actuarial gains (losses), net of tax of \$952 (2010: \$457)	(2,594)	1,330
Variation of minimum funding requirement liability for the defined benefit plan, net of tax of \$331 (2010: \$841)	904	(2,457)
	5,872	(37,436)
Comprehensive loss for the year	\$ (71,079)	\$ (29,158)
Comprehensive loss attributable to:		
Equity holders of the Corporation	(54,072)	(22,533)
Non-controlling interests	(17,007)	(6,625)
Comprehensive loss for the year	\$ (71,079)	\$ (29,158)

The accompanying notes are an integral part of these financial statements.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		December 31,	December 31,	January 1,
<i>(in thousands of Canadian dollars, except share and per share amounts)</i>		2011	2010	2010
ASSETS				
Current assets				
Cash and cash equivalents	Notes 2 & 9	\$ 202,147	\$ 538,580	\$ 609,848
Restricted cash	Note 2	15,074	12,582	4,216
Short-term investments	Note 2	58,372	-	14,433
Accounts receivable	Notes 10 & 19	382,823	355,055	256,254
Income taxes receivable		-	4,960	-
Loan receivable from Air Canada	Note 12	-	-	15,000
Inventories	Note 2	41,965	17,790	16,346
Prepaid expenses		29,144	23,417	19,012
Note receivable	Note 11	61,611	-	-
		791,136	952,384	935,109
Long-term assets				
Cash held in escrow, related to the acquisition of LMG	Note 5	42,804	42,029	45,835
Loan receivable from Air Canada	Note 12	-	-	135,000
Note receivable	Note 11	-	57,379	59,179
Long-term investments	Notes 2 & 4	302,735	176,922	-
Investment in Premier Loyalty & Marketing S.A.P.I. de C.V.	Note 3	31,407	24,080	-
Accumulation partners' contracts and customer relationships	Note 15	1,264,624	1,338,421	1,417,998
Property and equipment	Note 14 & 15	16,142	8,993	12,628
Software and technology	Note 15	103,444	111,239	113,618
Trade names	Note 15	389,012	386,948	397,087
Other intangibles	Note 15	4,826	9,704	16,280
Goodwill	Note 15	1,985,603	2,032,865	2,061,597
		\$ 4,931,733	\$ 5,140,964	\$ 5,194,331
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	Note 16 & 17	\$ 382,130	\$ 330,052	\$ 374,969
Income taxes payable		1,083	-	16,613
Provisions	Note 19	147,748	133,005	-
Customer deposits		38,195	46,688	56,377
Deferred revenue	Note 18	1,557,869	1,374,341	1,259,691
Current portion of long-term debt	Note 20	200,000	-	-
		2,327,025	1,884,086	1,707,650
Long-term liabilities				
Long-term debt	Note 20	386,678	643,903	780,108
Pension and other long-term liabilities	Notes 21 & 22	31,003	27,247	25,926
Deferred income taxes	Note 23	210,655	197,875	199,620
Deferred revenue	Note 18	684,865	752,710	748,824
		3,640,226	3,505,821	3,462,128
Total equity attributable to equity holders of the Corporation		1,305,561	1,632,190	1,727,697
Non-controlling interests		(14,054)	2,953	4,506
Total equity	Note 26	1,291,507	1,635,143	1,732,203
		\$ 4,931,733	\$ 5,140,964	\$ 5,194,331
Contingencies and commitments				
	Notes 24 & 27			

Approved by the Board of Directors

(signed) Roman Doroniuk
Roman Doroniuk
Director

(signed) Joanne Ferstman
Joanne Ferstman
Director

The accompanying notes are an integral part of these financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2010 and 2011

	Common Shares Outstanding	Share capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (loss)	Contributed Surplus	Total attributable to the equity holders of the Corporation	Non-controlling interests	Total equity
<i>(in thousands of Canadian dollars, except share and per share amounts)</i>								
Balance, January 1, 2010	199,462,480	\$ 1,747,448	\$ (1,314,479)	\$ -	\$ 1,294,728	\$ 1,727,697	\$ 4,506	\$ 1,732,203
Total comprehensive income (loss) for the year								
Net earnings (loss) for the year			14,923			14,923	(6,645)	8,278
Other comprehensive income (loss):								
Foreign currency translation adjustments on consolidation of foreign subsidiaries				(36,329)		(36,329)	20	(36,309)
Defined benefit plans actuarial gains, net of tax	Note 22		1,330			1,330		1,330
Variation of minimum funding requirement liability for the defined benefit plan, net of tax	Note 22		(2,457)			(2,457)		(2,457)
Total comprehensive income (loss) for the year	-	-	13,796	(36,329)	-	(22,533)	(6,625)	(29,158)
Transactions with owners, recorded directly in equity								
Preferred shares issued, net of issue costs	Note 26	168,787				168,787		168,787
Common shares issued upon exercise of stock options	Note 26	30,056	255			255		255
Common shares repurchased	Note 26	(13,022,900)	(113,898)		(28,629)	(142,527)		(142,527)
Quarterly dividends, common and preferred	Note 25		(107,577)			(107,577)	(730)	(108,307)
Debt forgiveness from non-controlling interest							5,802	5,802
Shares released (held by) stock-based compensation plans	Note 26	319,343	4,905		(5,551)	(646)		(646)
Accretion related to other stock-based compensation plans	Note 26				8,734	8,734		8,734
Total contributions by and distributions to owners	(12,673,501)	60,049	(107,577)	-	(25,446)	(72,974)	5,072	(67,902)
Balance, December 31, 2010	186,788,979	\$ 1,807,497	\$ (1,408,260)	\$ (36,329)	\$ 1,269,282	\$ 1,632,190	\$ 2,953	\$ 1,635,143
Total comprehensive income (loss) for the year								
Net loss for the year			(59,678)			(59,678)	(17,273)	(76,951)
Other comprehensive income (loss):								
Foreign currency translation adjustments on consolidation of foreign subsidiaries				7,296		7,296	266	7,562
Defined benefit plans actuarial losses, net of tax	Note 22		(2,594)			(2,594)		(2,594)
Variation of minimum funding requirement liability for the defined benefit plan, net of tax	Note 22		904			904		904
Total comprehensive income (loss) for the year	-	-	(61,368)	7,296	-	(54,072)	(17,007)	(71,079)
Transactions with owners, recorded directly in equity								
Common shares issued upon exercise of stock options	Note 26	224,505	2,851		(628)	2,223		2,223
Common shares repurchased	Note 26	(13,223,531)	(116,091)		(50,151)	(166,242)		(166,242)
Quarterly dividends, common and preferred	Note 25		(113,481)			(113,481)		(113,481)
Shares released (held by) stock-based compensation plans	Note 26	27,428	1,385		(1,385)	-		-
Accretion related to other stock-based compensation plans	Note 26				4,943	4,943		4,943
Total contributions by and distributions to owners	(12,971,598)	(111,855)	(113,481)	-	(47,221)	(272,557)	-	(272,557)
Balance, December 31, 2011	173,817,381	\$ 1,695,642	\$ (1,583,109)	\$ (29,033)	\$ 1,222,061	\$ 1,305,561	\$ (14,054)	\$ 1,291,507

The accompanying notes are an integral part of these financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,	
(in thousands of Canadian dollars, except share and per share amounts)	2011	2010
CASH FLOWS FROM (USED IN)		
Operating activities		
Net earnings (loss) for the year	\$ (76,951)	\$ 8,278
Adjustments for:		
Depreciation and amortization	129,507	122,762
Stock-based compensation	5,736	11,076
Share of net loss in Premier Loyalty & Marketing, S.A.P.I. de C.V.	4,444	-
Net financing costs	49,110	40,810
Income tax expense	64,373	46,510
Impairment of goodwill	53,901	-
Changes to:		
Accounts receivable	(39,264)	(109,447)
Inventories	(23,929)	(2,243)
Prepaid expenses	(5,404)	(4,417)
Accounts payable and accrued liabilities	58,496	(32,911)
Provisions	7,894	129,407
Pensions and other long-term liabilities	2,005	2,251
Deferred revenue	111,040	139,338
Customer deposits	(9,172)	(7,212)
Restricted cash	(2,388)	(8,448)
Other	(5,914)	16,905
Funding of stock-based compensation plans	-	(646)
	400,435	343,735
Cash generated from operating activities	323,484	352,013
Interest received	12,398	18,552
Interest paid	(48,046)	(41,277)
Income taxes paid	(45,295)	(61,183)
Net cash from operating activities	242,541	268,105
Investing activities		
Acquisition of Carlson Marketing, net of cash acquired	-	(14,715)
Investment in Premier Loyalty & Marketing, S.A.P.I. de C.V.	Note 3 (11,771)	(24,080)
Short-term investments	Note 2 (28,287)	13,589
Long-term investments	Notes 2 & 4 (158,753)	(176,996)
Repayment of loan by Air Canada	Note 12 -	150,000
Additions to property, equipment, software and technology	(44,919)	(46,877)
Net cash from used in investing activities	(243,730)	(99,079)
Financing activities		
Quarterly dividends	Note 25 (113,481)	(107,577)
Issuance of common shares	Note 26 2,223	255
Issuance of preferred shares	Note 26 -	172,439
Issue costs	Note 26 -	(5,181)
Repurchase of common shares	Note 26 (166,242)	(142,527)
Borrowings of long-term debt	Note 20 150,000	200,000
Repayment of long-term debt	Note 20 (210,000)	(340,000)
Financing costs	Note 20 (1,032)	(1,718)
Net cash used in financing activities	(338,532)	(224,309)
Net change in cash and cash equivalents	(339,721)	(55,283)
Translation adjustment related to cash	3,288	(15,985)
Cash and cash equivalents, beginning of year	538,580	609,848
Cash and cash equivalents, end of year	Note 9 \$ 202,147	\$ 538,580

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Tables in thousands of Canadian dollars, except share and per share amounts)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2011

(Tables in thousands of Canadian dollars, except share and per share amounts)

1. STRUCTURE OF THE CORPORATION

Groupe Aeroplan Inc., doing business as Aimia (“Aimia” or the “Corporation”) was incorporated on May 5, 2008 under the *Canada Business Corporations Act* and is the successor to Aeroplan Income Fund, following the completion of the reorganization of Aeroplan Income Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement on June 25, 2008.

The registered and head office of Aimia is located at 5100 de Maisonneuve Blvd. West, Montreal, Québec, Canada, H4A 3T2.

Aimia, a global leader in loyalty management, through its subsidiaries, operates in three regional business segments: Canada, the United States and Asia-Pacific (“US & APAC”) and Europe, Middle-East and Africa (“EMEA”). Our regional structure ensures that our business leaders remain close to our clients, partners and investors, while our loyalty service streams allow us to innovate, share best practices and collaborate on client solutions across all regions and around the globe.

In Canada, Aimia owns and operates the Aeroplan Program, a premier coalition loyalty program. In EMEA, Aimia owns and operates Nectar, a coalition loyalty program in the United Kingdom, Air Miles Middle East, a coalition loyalty program in the UAE, through a 60% ownership interest, and Nectar Italia, a coalition loyalty program in Italy, through a 75% participation. Aimia’s EMEA segment also provides driven insight and data analytics services in the UK and internationally to retailers and their suppliers, through its Intelligent Shopper Solutions services (“ISS”) (formerly LMG Insight & Communication or I&C). In each of the regions, Aimia provides proprietary loyalty services including; loyalty program design, launch and operation to its clients (formerly offered under the Carlson Marketing name). In addition, Aimia’s loyalty analytics services also leverage the expertise developed by Carlson Marketing’s decision sciences group, and develop analytical tools to provide services to clients globally to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment.

Aimia also holds a 28.86% interest in, and jointly controls with Grupo Aeromexico, S.A.B. de C.V., Premier Loyalty & Marketing, S.A.P.I. de C.V. (“PLM”), owner and operator of Club Premier, a Mexican coalition loyalty program, and a minority interest in Cardlytics, Inc. (“Cardlytics”), a US-based private company operating in merchant-funded transaction-driven marketing for electronic banking. These investments are reported under Corporate in the segmented information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in the preparation of the opening IFRS statement of financial position at January 1, 2010, subject to certain transition elections disclosed in *Note 32*, for the purposes of the transition to IFRS. The accounting policies have been applied consistently by all Aimia entities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Tables in thousands of Canadian dollars, except share and per share amounts)

BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1 – *First-time Adoption of International Financial Reporting Standards*.

During the previous year, the consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation for the year ended December 31, 2010 is provided in *Note 32*.

The consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2012.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following balance sheet items:

- Air Canada warrants (included in accounts receivable) are measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value;
- Accrued pension benefit liability is recognized as the net total of the fair value plan assets, less the present value of the defined benefit obligation.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian Dollars, which is the Corporation's functional currency.

Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported as assets, liabilities, income and expenses in the financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which they occur and in any future periods affected.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Tables in thousands of Canadian dollars, except share and per share amounts)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following note:

- Revenue recognition and cost of rewards and direct costs (*Note 2*).

Information about assumptions and estimation uncertainties described below with a significant risk of resulting in material adjustments within the next year are included within the following notes:

- Breakage (*Notes 2 and 18*);
- Income Taxes (*Notes 2 and 23*);
- Impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital (*Notes 2 and 15*);
- Provisions (*Note 19*);
- Contingent Liabilities (*Note 24*).

PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Corporation. Subsidiaries' financial statements are included in the consolidated financial statements from the date of commencement of control until the date that control ceases. Subsidiaries' accounting policies have been changed, when necessary, to align with the policies adopted by Aimia.

These consolidated financial statements include the accounts of the Corporation and the accounts of its subsidiaries. All inter-company balances and transactions have been eliminated.

Joint Ventures

Joint ventures are entities where the Corporation has the ability to exercise joint control as established by a contractual agreement. Investments in jointly controlled entities are accounted for using the equity method and are initially recognized at cost. The Corporation's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Corporation's share of the income and expenses and equity movements of equity accounted investees, after aligning with the accounting policies of the Corporation, from the date that joint control commences until the date that joint control ceases. When the Corporation's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Tables in thousands of Canadian dollars, except share and per share amounts)

REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

Aimia derives its cash inflows primarily from the sale of "Loyalty Units", which are defined as the miles, points or other loyalty program reward units issued under the respective programs operated by Aimia's subsidiaries, to their respective Accumulation Partners and from services rendered or to be rendered to customers, which are referred to as Gross Billings. Loyalty Units issued for promotional purposes, at a discount or no value, are also included in Gross Billings at their issue price. These Gross Billings are deferred and recognized as revenue upon the redemption of Loyalty Units. Revenue recognized per Loyalty Unit redeemed is calculated, on a weighted average basis, separately for each program. The amount of revenue recognized related to Breakage is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. Breakage represents the estimated Loyalty Units that are not expected to be redeemed by members. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. Management, assisted by an independent expert, developed an econometric model that takes into account historical activity, and expected member behaviour, projected on a going-concern basis. This tool is used by Aimia to estimate and monitor the appropriate Breakage estimates of the different programs it operates on a regular basis. Should events or changes in circumstances indicate that the Breakage estimate may not be appropriate, Aimia will consult an independent expert to validate the robustness of the Breakage tool.

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Management's consolidated weighted average Breakage estimate at December 31, 2011 is 18% (December 31, 2010: 21%), calculated based on the total Loyalty Units outstanding under the Corporation's loyalty programs. This Breakage estimate is based on the results of the application of the model in 2011, assisted by an expert review, and taking into account renewed and extended agreements with anchor sponsors Sainsbury's and HSBC. The impact of the adjustment to the Breakage estimate for the year ended December 31, 2011 was a reduction to revenue and earnings before income taxes of \$136.0 million, with \$113.3 million relating to prior years and \$22.7 million relating to the current year. Of the total adjustment, \$95.2 million is attributable to the Nectar program and \$40.8 million to the Air Miles Middle East program.

In limited circumstances, Aimia may sell Loyalty Units directly to members. Revenue from these sales to members is recognized at the time the member redeems Loyalty Units for rewards.

In addition, Aimia derives proprietary loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. These proprietary loyalty service fees are included in Gross Billings and recognized as revenue when the amount, stage of completion and costs for the service can be measured reliably and it is probable that the economic benefits associated with the service will be realized. Other revenue,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise, royalties earned with respect to the Air Miles and Nectar trademarks, and the management of Air Canada's tier membership program for its most frequent flyers, is also included in Gross Billings and is recognized as revenue when the services are rendered or on an accrual basis, in accordance with the substance of the agreements in the case of royalties. Other revenue also includes loyalty analytics service fees from analytical services and tools licensed to clients to collect, analyze and derive actionable insight from their customer data which is used to improve marketing return-on-investment. These loyalty analytics service fees are included in Gross Billings and are recognized as revenue when the services are rendered.

Cost of rewards representing the amount paid by Aimia to Redemption Partners is accrued when the member redeems the Loyalty Units. Direct costs consist of those costs directly attributable to the delivery of proprietary loyalty and loyalty analytics services and include labour, technology, reward fulfillment and commissions.

EMPLOYEE FUTURE BENEFITS

Defined Benefit Plans for Aeroplan Canada Contact Centre Employees

The cost of pension benefits earned by contact centre employees under the defined benefit pension plan is actuarially determined using the projected unit credit method prorated on service, market interest rates, and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

For the funded defined benefit plans, the deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability or an asset in the balance sheet, taking into account any unrecognized past service cost. However, any excess of assets is recognized only to the extent that it represents a future economic benefit which is available in the form of refunds from the plan or reductions in future contributions to the plan. When these criteria are not met, such excess is not recorded but is disclosed in the notes. Impacts of minimum funding requirements in relation to past service are considered when determining pension obligations.

The cost of the other future employee benefits consisting of post-employment, life insurance, health and dental care, offered to disabled employees and post-retirement life insurance and health benefits, is actuarially determined using the projected unit credit method prorated on service (where applicable), market interest rates, and management's best estimate of retirement ages of employees, health care cost inflation, salary escalation and general inflation.

The discount rate on the benefit obligation is equal to the yield at the measurement date on high quality corporate bonds that have maturity dates approximating the terms of Aimia's obligations.

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The expected return on plan assets is based on the long-term expected rate of return on plan assets and the fair value of the plan assets. It is reasonably possible that management's estimate of the long-term rate of return may change as management continues to assess future investments and strategies and as a result of changes in financial markets.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in earnings on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in earnings.

The Corporation recognizes all actuarial gains and losses arising from the defined benefit plan, post-retirement benefits, and adjustments resulting from minimum funding requirements, immediately in other comprehensive income, and reports them in retained earnings. Actuarial gains and losses arising from other future post-employment benefits are recognized immediately as an expense.

Defined Contribution

Substantially all other Aimia employees, excluding the Aeroplan Canada contact centre agents, participate in the Corporation's various defined contribution pension plans, which provide pension benefits based on the accumulated contributions and fund earnings. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings in the periods during which services are rendered by employees.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a present legal or constructive obligation to pay such an amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Termination Benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary separation in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to providing termination benefits as a result of an offer made.

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LEASE PAYMENTS

All of the Corporation's leases are operating leases. The leased assets are not recognized in the Corporation's statement of financial position since the Corporation does not assume substantially all risks and rewards of ownership of the leased assets.

Payments made under operating leases are recognized in earnings on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Liabilities for onerous leases are recognized when the Corporation believes that unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

INCOME TAXES

Income tax expense includes current and deferred tax and is recognized in earnings except to the extent that it relates to a business combination, or to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Aimia provides for deferred income taxes using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement carrying values and the tax base of assets and liabilities, using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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GOVERNMENT ASSISTANCE

Research and development tax credits received and receivable from the Canadian Federal and Québec Provincial governments are accounted for as government assistance and are recognized by the Corporation when there is a reasonable assurance that the entity will comply with relevant conditions and that the tax credits will be received. The tax credits are recognized as a reduction of the related expense or cost of the asset acquired that they are intended to compensate. The Corporation has recognized an amount of \$1.4 million as a reduction of selling and marketing expenses for the year ended December 31, 2011 (2010: \$5.8 million).

FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities denominated in foreign currencies are translated into each of Aimia's entities' functional currency at rates of exchange in effect at the date of the balance sheet. Gains and losses are included in income for the year. Non-monetary assets, non-monetary liabilities, revenues and expenses arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

FOREIGN OPERATIONS

All of Aimia's foreign operations have a functional currency different from the presentation currency. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange prevailing at the balance sheet date. Revenues and expenses are translated at the average rates for the year. Translation gains or losses are recognized in other comprehensive income and included in accumulated other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustments is transferred to earnings as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation adjustments.

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FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Under Aimia's practices, derivative financial instruments are used only for risk management purposes and are not entered into for speculative purposes.

Financial assets classified as fair value through profit and loss are measured at fair value with changes in those fair values recognized in non-operating income. Financial assets classified as held-to-maturity, loans and receivables, or other financial liabilities, are measured at amortized cost using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value with changes in fair value recognized in other comprehensive income with the exception of investments in equity instruments that do not have a quoted market price in an active market and where the fair value cannot be reliably measured, which are measured at cost.

Aimia may, from time to time, enter into forward exchange contracts and currency swaps to manage the risk associated with acquisitions of foreign assets in order to mitigate the impact of currency fluctuations.

Derivative instruments are recorded at fair value. Changes in the fair values of derivative instruments are recognized in non-operating income (expense).

For financial instruments measured at amortized cost, transaction costs or fees, premiums or discounts earned or incurred are recorded, at inception, net against the fair value of the financial instrument.

Aimia has classified its financial instruments as follows:

- cash and cash equivalents, restricted cash, short-term investments (consisting of fixed income securities), accounts and note receivable and loan receivable from Air Canada are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method;
- investments in corporate and government bonds are classified as held-to-maturity and are recorded at amortized cost using the effective interest rate method;
- the investment in Cardlytics is classified as an available-for-sale financial asset and is measured at fair value with changes in fair value recognized in other comprehensive income;
- accounts payable and accrued liabilities, dividends payable and long-term debt are classified as other financial liabilities and are recorded at amortized cost using the effective interest rate method.

Impairment of Financial Assets (Including Receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in earnings and reflected in an allowance account against receivables or other financial assets. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings.

Transaction Costs

Transaction costs related to financial assets classified as fair value through profit and loss are expensed as incurred. Transaction costs related to held-to-maturity financial assets, loans and receivables and other liabilities are considered as part of the carrying value of the asset or liability and are then amortized over the expected life of the instrument using the effective interest rate method. Transaction costs related to available-for-sale assets are capitalized on initial recognition. If the available-for-sale asset has fixed or determinable payments, the transaction costs are amortized to net income using the effective interest method. If the available-for-sale financial asset does not have fixed or determinable payments, the transaction costs are recognized in net income when the asset is derecognized or becomes impaired.

Financial Income and Expenses

Financial income includes interest income on cash equivalents, short term investments, loans and notes receivable, and long-term investments in corporate and government bonds. Interest income is recognized as it accrues in

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earnings, using the effective interest method. Financial income also includes the gain or loss related to the fair value adjustment of the Air Canada warrants and dividends received or receivable from available-for-sale equity investments.

Financial expenses include interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognized on financial assets and other interest and bank charges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in earnings using the effective interest method.

SHARE CAPITAL

Common shares and preferred shares that are not redeemable or are redeemable only at the Corporation's option are classified as equity. Incremental costs directly attributable to the issue of common and preferred shares and share options are recognized as a deduction from equity, net of any tax effects.

Dividends payable by Aimia to its common and preferred shareholders, which are determined at the discretion of the Board of Directors and in accordance with the terms of each series of preferred shares (*Notes 25 and 26*), are recorded when declared. Dividends on common and preferred shares are recognized as distributions within equity.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from share capital for the shares' assigned value, any excess being allocated to contributed surplus to the extent that contributed surplus was created by a net excess of proceeds over cost on cancellation or resale of shares of the same class, and any discount being assigned to contributed surplus. Repurchased shares are cancelled.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds in current operating bank accounts, term deposits and fixed income securities with an original term to maturity of three months or less. The weighted average effective interest rate earned on cash and cash equivalents held at December 31, 2011 was 0.1% (2010: 0.6%).

RESTRICTED CASH

Restricted cash represents amounts held in trust as required by statute for travel programs in Ontario and Québec, and contractual obligations requiring the segregation of cash for purposes of fulfillment obligations in connection with certain loyalty programs managed by the Corporation. At December 31, 2011, restricted cash amounted to \$15.1 million (2010: \$12.6 million).

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SHORT-TERM INVESTMENTS

Short-term investments consist of fixed income securities with an original term to maturity of less than one year and greater than three months. Short-term investments also include investments in corporate and government bonds with a remaining term to maturity of less than one year. The weighted average effective interest rate earned on short-term investments held at December 31, 2011 was 1.5%. At December 31, 2010, there were no short-term investments.

LONG-TERM INVESTMENTS

Long-term investments include investments in corporate and government bonds which consist of fixed income securities quoted in an active market. These bonds have a remaining term to maturity varying between 2.7 years and 8.4 years and yield an effective interest rate of 3.12% at December 31, 2011 (2010: 2.87%).

Long-term investments also include the investment in Cardlytics (*Note 4*).

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined principally using average cost and specific identification methods. Inventories consist mainly of merchandise on hand required to fulfill redemptions for various loyalty and marketing programs.

For the year ended December 31, 2011, cost of rewards and direct costs included cost of merchandise of \$240.1 million (2010: \$181.7 million).

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated impairment losses and amortized over their estimated useful lives, using the straight-line method, as follows:

Furniture, fixtures and equipment	3 to 10 years
Computer hardware	3 years
Leasehold improvements	Over the lesser of the term of the lease or 15 years

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ACCUMULATION PARTNERS' CONTRACTS, CUSTOMER RELATIONSHIPS, SOFTWARE AND TECHNOLOGY AND OTHER INTANGIBLES

Accumulation Partners' contracts, customer relationships and other intangibles are considered long-lived assets with finite lives.

Accumulation Partners' contracts and customer relationships are recorded at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, typically 5 – 25 years.

The average remaining amortization period of individually significant Accumulation Partners' contracts is 18.9 years as at December 31, 2011.

Other intangibles, which include the rights to use the Carlson Marketing trade name (fully amortized as of December 31, 2011) and non-competition restrictions agreed to by the vendor, pursuant to the acquisition agreement, are recorded at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, 3 - 5 years.

Software and technology are recorded at cost less accumulated impairment losses and amortized using the straight-line method over 3 to 7 years. Internally generated software under development includes costs paid to third parties such as consultants' fees, other costs directly attributable to preparing the assets for their intended use and borrowing costs on qualifying assets for which the commencement date for capitalization is more than one year after development starts. Amortization will commence upon completion of development once the software is available for use.

TRADE NAMES AND GOODWILL

Trade names, which are considered intangible assets with indefinite lives, are recorded at cost less accumulated impairment losses, and are not amortized but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that the trade names may be impaired. These intangible assets have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate cash flows.

Many factors are considered in determining the useful life of an intangible asset, including:

- the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;
- typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
- technical, technological, commercial or other types of obsolescence;

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- the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
- expected actions by competitors or potential competitors;
- the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;
- the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and
- whether the useful life of the asset is dependent on the useful life of other assets of the entity.

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition and it is measured net of accumulated impairment losses. Goodwill is not amortized, but instead tested for impairment annually, or more frequently, should events or changes in circumstances indicate that the goodwill may be impaired.

Acquisitions

Aimia measures goodwill as the fair value of the consideration transferred including, when elected, the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings.

Aimia elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities incurred by Aimia in connection with a business combination are expensed as incurred.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of Aimia's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash

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inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

Goodwill that forms part of the carrying amount of the investment in the jointly controlled entity accounted for using the equity method is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in the jointly controlled entity is tested for impairment as a single asset when there is objective evidence that the investment may be impaired.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs that include goodwill are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis beyond the highest of:

- the fair value less costs to sell; and
- value in use of the individual asset, if determinable.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

PROVISIONS

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of the time value of money is material, provisions are determined by discounting the best estimate of expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

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STOCK-BASED COMPENSATION PLANS

On-Going Long-Term Incentive Plan

Under the terms of the Aimia On-Going Long-Term Incentive Plan, eligible employees were entitled to yearly Aimia share grants determined on the basis of a percentage of their annual base salary. The shares, which were held in a trust for the benefit of the eligible employees, vested at the end of a three year period (the "Performance Cycle"), commencing January 1 of the year in respect of which they were granted, subject to achieving performance metrics, established by the Board of Directors for the Performance Cycle. Aimia purchased the shares on the secondary market, which were accounted for as an acquisition of treasury shares. Dividends declared by Aimia on any shares granted under this plan were eligible for investment in additional shares, which vested concurrently and proportionately with the shares granted. Forfeited shares and accumulated dividends thereon accrued to Aimia. The trust was consolidated with Aimia's financial statements. The fair value of Aimia's shares, at the grant date was charged to earnings as compensation expense over the vesting period, with a corresponding increase to equity. Aimia's cost of the shares held was presented as a reduction of share capital. Estimated compensation costs relative to this plan were accrued on the basis of actual performance relative to targets. The On-Going Long-Term Incentive Plan was fully vested at December 31, 2010 and the remaining shares were distributed to the participants during the first quarter of 2011 following the approval by the Board of Directors. Effective June 25, 2008, the On-Going Long-Term Incentive Plan was replaced by the Aimia Long-Term Incentive Plan.

Omnibus Plan

The Omnibus Compensation and Incentive Plan was established in order to attract and/or retain employees. Vesting conditions vary at the time of grant but are typically time and performance based, with shares, which are held in a trust for the benefit of the eligible employees, vesting at the end of the third calendar year following the year of grant. Aimia purchases the shares on the secondary market, which are accounted for as an acquisition of treasury shares. Dividends declared by Aimia on any shares granted under this plan, may be invested in additional shares, which will vest concurrently with the shares granted. Forfeited shares and accumulated dividends thereon accrue to Aimia. The trust is consolidated with Aimia's financial statements. The fair value of Aimia's shares, at the grant date, is charged to earnings as compensation expense over the vesting period, with a corresponding increase to equity. Aimia's cost of the shares held is presented as a reduction of share capital. Effective June 25, 2008, except for outstanding commitments to certain individuals, which were completely fulfilled during the first quarter of 2011, the Omnibus Plan was replaced by the Aimia Long-Term Incentive Plan.

Deferred Share Unit Plan

The Deferred Share Unit Plan (the "DSU Plan") has been established as a means of compensating directors and designated employees of Aimia and of promoting share ownership and alignment with the shareholders' interests.

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Directors of Aimia are automatically eligible to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the Board of Directors.

Vesting conditions may be attached to DSUs at the Board of Directors' discretion. To date, DSUs granted to designated employees vest over 4 years, while those granted to directors vest immediately. DSUs are paid out in cash upon termination of service.

Upon termination of service, DSU Plan participants are entitled to receive for each DSU credited to their account, a payment in cash equivalent to the value on the date of termination of service of an Aimia common share and accrued dividends from the time of grant.

The fair value of DSUs, at the date of grant to DSU Plan participants, is recognized as compensation expense over the vesting period, with a credit to accounts payable and accrued liabilities and other long-term liabilities. In addition, the DSUs are fair valued at the end of every reporting period and at the settlement date. Any changes in the fair value of the liability are recognized as compensation expense in earnings.

Long-Term Incentive Plan

The Aimia Long-Term Incentive Plan (the "Plan"), which upon the Fund's conversion to a corporation effectively replaced the Initial Long-Term Incentive Plan, the On-Going Long-Term Incentive Plan, and the Omnibus Plan, was established to provide an opportunity for officers, senior executives and other 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 aggregate number of treasury shares that may be issued under the Plan, at any time, may not exceed five percent of the issued and outstanding Aimia common shares. 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. 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 amortization. The fair value of PSUs, at the date of grant to PSU Plan participants, is recognized as compensation expense over the vesting period using the graded method of amortization, with a credit to accounts payable and accrued liabilities and other long-term liabilities. 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 recognized as an expense is adjusted for forfeitures to reflect the number of awards for which the related service and non-market vesting conditions are

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expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

When the stock options are exercised, the Corporation issues new shares. The proceeds received, net of any directly attributable transaction costs together with the related portion previously recorded in contributed surplus, are credited to share capital.

EARNINGS PER COMMON SHARE

Earnings per common share are calculated by dividing the earnings attributable to common share holders of the Corporation by the weighted average number of common shares outstanding for the period. Shares held under the various stock-based compensation plans reduce the weighted average diluted number of Aimia's outstanding shares from the date they are contributed into the respective plans.

Diluted earnings per common share are determined using the treasury stock method to evaluate the dilutive effects of stock options, convertible instruments and equivalents, when applicable.

SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Aimia's other segments. All operating segments' operating results are reviewed regularly by Aimia's CEO to make decisions about the allocation of resources to the respective segments and assess their individual performance (*Note 28*).

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items include mainly head office expenses, share-based compensation, long-term debt and holding company or corporate income tax assets and liabilities.

FUTURE ACCOUNTING CHANGES

The following standards and amendments to existing standards have been published and their adoption is mandatory for future accounting periods.

- A. International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments with fair value measurement adjustments for such instruments recognized either through profit or loss or through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent that they do not clearly

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represent a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, the standard includes guidance on financial liabilities and derecognition of financial instruments. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

- B. In May 2011, the International Accounting Standards Board (“IASB”) issued the following standards which have not yet been adopted by the Corporation: IFRS 10 - *Consolidated Financial Statements*; IFRS 11 - *Joint Arrangements*; IFRS 12 - *Disclosure of Interests in Other Entities*; IAS 27 - *Consolidated and Separate Financial Statements*; IFRS 13 - *Fair Value Measurement*; and IAS 28 - *Investments in Associates and Joint Ventures* (as amended in 2011). Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The following is a brief summary of the new standards:

IFRS 10, Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 - *Consolidation – Special Purpose Entities*, and parts of IAS 27 - *Consolidated and Separate Financial Statements*. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

IFRS 11, Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures*, and SIC-13 - *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. The Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements since Aimia already accounts for its participation in PLM, classified as a joint venture, under the equity method.

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IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard may result in expanded disclosure requirements in connection with Aimia's subsidiaries and its participation in PLM.

The Corporation has not yet decided whether it will early adopt this standard.

IFRS 13, Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. At this time, the Corporation does not anticipate that this standard will have a significant impact on its consolidated financial statements.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 - *Separate Financial Statements*, and IAS 28 - *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. At this time, the Corporation does not anticipate that these amendments will have a significant impact on its consolidated financial statements.

- C. In June 2011, the IASB amended IAS 1 - *Presentation of Financial Statements*, to change the disclosure of items presented in other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. These amendments are required to be applied for accounting periods beginning on or after July 1, 2012, with earlier adoption permitted. The Corporation has not yet determined whether it will early adopt these amendments.
- D. In June 2011, the IASB issued a revised version of IAS 19 - *Employee Benefits*. The standard was amended to reflect significant changes to recognition and measurement of defined benefit liabilities (assets), and provide expanded disclosure requirements. The main changes include the elimination of the corridor

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approach, the immediate recognition of past service costs when those occur and the disaggregation of defined benefit cost into components. These amendments are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the revised standard or determined whether it will early adopt these amendments.

- E. In December 2011, the IASB amended IFRS 7 - *Financial Instruments*, to incorporate additional disclosure requirements related to offsetting financial assets and financial liabilities. These amendments are required to be applied for accounting periods beginning on or after January 1, 2013. The Corporation anticipates that the adoption of these amendments will result in additional disclosure requirements related to the Corporation's netting arrangements with Air Canada. The Corporation has not yet determined whether it will early adopt these amendments.
- F. In December 2011, the IASB amended IAS 32- *Financial Instruments: Presentation*, to clarify certain requirements for offsetting financial assets and liabilities. These amendments are required for accounting periods beginning on or after January 1, 2014. At this time, the Corporation does not anticipate that these amendments will have an impact on its consolidated financial statements as it already complies with the proposed amendments to the standard.

3. INVESTMENT IN PREMIER LOYALTY & MARKETING, S.A.P.I. DE C.V.

On September 13, 2010, Aimia acquired an initial participation in PLM, for cash consideration of US\$23.3 million (\$24.1 million), including transaction costs of US\$1.3 million (\$1.4 million). PLM is the owner and operator of Club Premier, a Mexican coalition loyalty program. Until February 27, 2011, the investment was accounted for as an available-for-sale investment with fair value changes being recorded through other comprehensive income. Fair value was determined to approximate cost.

On February 28, 2011, after PLM achieved the remaining performance milestone, Aimia completed the second tranche of its investment in PLM of US\$11.8 million (\$11.8 million), increasing its equity interest to 28.86%. The investment, which is now subject to joint control with Grupo Aeromexico S.A.B. de C.V., is accounted for under the equity method. A fair value gain of \$3.3 million was recognized on a step basis on the completion of the second tranche of the investment.

Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the purchase price and the net book value of PLM's assets has been allocated to the fair value of identifiable assets, including finite and indefinite life intangible assets, and any remaining difference has been assigned to goodwill. Management has identified the PLM commercial partners' contracts as finite life intangibles and the trade name as an indefinite life intangible. The proportionate share of PLM's net earnings has been recorded since the disbursement of the second tranche on the basis of management's valuation of the

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identifiable assets of PLM. The independent valuation of the intangible assets was completed during the fourth quarter of 2011.

For the year ended December 31, 2011, Aimia's share of PLM's financial statement items, including the purchase price allocation adjustments, was as follows:

Statement of operations data	Year ended December 31,	
	2011 ^(a)	2010
Revenue	12,500	-
Expenses	20,200	-

(a) Includes the results from February 28, 2011 to December 31, 2011.

Statement of financial position data	December 31,	
	2011	2010
Current assets	14,800	-
Long-term assets	26,100	-
Current liabilities	14,100	-
Long-term liabilities	13,700	-

4. LONG-TERM INVESTMENTS

	December 31,	
	2011	2010
Investment in Cardlytics	22,998	-
Investment in corporate and government bonds	279,737	176,922
Total	302,735	176,922

On September 8, 2011, Aimia acquired a minority participation in Cardlytics, a US-based private company operating in merchant-funded transaction-driven marketing for electronic banking, for cash consideration of US\$23.4 million (\$23.0 million). The investment in Cardlytics is reported in long-term investments and is accounted for as an available-for-sale investment, measured at fair value with changes in fair value recognized in other comprehensive income. The fair value was determined to approximate cost as at December 31, 2011.

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5. CASH HELD IN ESCROW

Cash held in escrow, in the amount of \$42.8 million (£27.1 million), represents contingent consideration related to the December 2007 acquisition of LMG. The fair value of the contingent consideration of \$31.1 million (£18.8 million), determined using the expected cash flow approach based on a probability weighted expected contingent consideration and a discount rate of 1.34%, was initially recognized on transition to IFRS (*Note 32*). The fair value of the contingent consideration, including accumulated accretion expense, amounting to \$30.1 million (£19.0 million) was reversed against general and administrative expenses during the third quarter of 2010, following the adverse ruling issued by the European Court of Justice ("ECJ") (*Note 19*). Pursuant to the escrow agreement entered into at the time of the acquisition, the funds held in escrow will be released to the Corporation upon ratification of the ECJ VAT Judgment by the United Kingdom Supreme Court.

6. REVENUE

	Year ended December 31,	
	2011	2010
Revenue from Loyalty Units	^(a) 1,433,747	1,352,802
Revenue from proprietary loyalty services	567,258	610,580
Other revenue	114,900	92,853
Total revenue	2,115,905	2,056,235

(a) Includes the impact of an adjustment to the Breakage estimate related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of \$136.0 million in revenue from Loyalty Units, with \$113.3 million being attributable to prior years and \$22.7 million to the 2011 year. Of the total adjustment, \$95.2 million is attributable to the Nectar program and \$40.8 million to the Air Miles Middle East program.

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7. FINANCIAL INCOME AND EXPENSES

	Year ended December 31,	
	2011	2010
Interest income on loans and receivables ^(a)	(5,670)	(20,333)
Interest income on investments in bonds	(8,731)	(484)
Unrealized fair value loss (gain) on Air Canada warrants	4,133	(3,354)
Financial income	(10,268)	(24,171)
Interest on long-term debt	51,758	56,095
Other financial expenses	7,620	8,886
Financial expenses	59,378	64,981
Net financing costs recognized in earnings	49,110	40,810

(a) Interest income on loans and receivables for the year ended December 31, 2010 included interest income of \$12.8 million (2011: nil) on the loan receivable from Air Canada (Note 12).

8. EARNINGS PER COMMON SHARE

	Year ended December 31,	
	2011	2010
Net earnings (loss) attributable to equity holders of the Corporation	(59,678)	14,923
Less: Dividends declared on preferred shares	(11,213)	(10,560)
Net earnings (loss) attributable to common shareholders	(70,891)	4,363
Weighted average number of basic and diluted common shares	179,146,339	194,748,024
Earnings (loss) per common share – Basic and fully diluted	\$(0.40)	\$0.02

9. CASH AND CASH EQUIVALENTS

	December 31,	December 31,	January 1,
	2011	2010	2010
Operating bank accounts	202,147	278,774	196,881
Term deposits	-	259,806	412,967
	202,147	538,580	609,848

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10. ACCOUNTS RECEIVABLE

	December 31,	December 31,	January 1,
	2011	2010	2010
Trade receivables	285,222	257,006	227,998
Other receivables	97,273	93,588	27,149
Air Canada warrants (Note 12)	328	4,461	1,107
	382,823	355,055	256,254

11. NOTE RECEIVABLE

This unsecured, non-interest bearing loan, in the principal amount of £40.0 million, which has been discounted using an effective interest rate of 6%, is due from a major Accumulation Partner and matures on July 1, 2012.

12. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

Air Canada and two other major Accumulation Partners account for a significant percentage of Gross Billings. Since Aimia's revenues are recognized based on redemptions by members as opposed to the issuance of Loyalty Units to members by the Accumulation Partners, the information on major customers is based on total Gross Billings, which include proceeds from the sale of Loyalty Units and services rendered or to be rendered. Gross Billings for each Accumulation Partner represent the contracted amounts received or receivable from Accumulation Partners and customers during each period. Air Canada and the other Accumulation Partners accounted for a significant percentage of Gross Billings as follows:

	Operating segment	Year ended December 31,	
		2011	2010
		%	%
Air Canada	Canada	12	12
Accumulation Partner A	Canada	25	25
Accumulation Partner B	EMEA	12	11

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CONTRACTUAL AND COMMERCIAL PRACTICES WITH AIR CANADA

Air Canada, including other Star Alliance Partners, is Aimia's largest Redemption Partner. The cost of rewards provided by Air Canada (and other Star Alliance Partners) as a percentage of total cost of rewards and direct costs is as follows:

	Year ended December 31,	
	2011	2010
	%	%
Air Canada (and other Star Alliance Partners)	40	37

Air Canada acts as a clearing house for substantially all Gross Billings of Aeroplan Miles and reward purchase transactions between Aeroplan Canada Inc. ("Aeroplan") and airlines other than Air Canada (Star Alliance Partners). Aeroplan has entered into various agreements with Air Canada governing the commercial relationship between Aeroplan and Air Canada. The following is a summary of the relevant financial terms of the most significant agreements.

CPSA

The amended and restated commercial participation services agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended (the "CPSA"), which expires on June 29, 2020, covers the terms and conditions of the purchase of air travel rewards by Aeroplan from Air Canada and its affiliates, the purchase of Aeroplan Miles by Air Canada and its affiliates for issuance to members and the management of the tier membership program for certain Air Canada customers. Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on Air Canada and its affiliates, which number is based on a function of the number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2011, Aeroplan is required to purchase reward travel seats amounting to approximately \$429.2 million each year. While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles under the Aeroplan Program at a specified rate. Aeroplan is required to perform certain marketing and promotion services for Air Canada, including contact centre services for the management of the frequent flyer tier membership program, for a fee based on actual costs, on a fully allocated basis, plus an administrative fee. Aeroplan's ability to respond to members' requests for future rewards will depend on Air Canada's ability to provide the requested number of seats.

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LOAN RECEIVABLE FROM AIR CANADA AND AIR CANADA WARRANTS

On July 29, 2009, Aeroplan, with a syndicate of other lenders, including GE Canada Finance Holding Company, Export Development Canada and ACE Aviation Holdings Inc., entered into an agreement to provide financing to Air Canada (“Air Canada Club Loan”), pursuant to which Aeroplan advanced \$150.0 million to the airline.

On August 3, 2010, Air Canada repaid \$156.3 million, representing all amounts outstanding and accrued to the date of repayment owed under the Air Canada Club Loan, in advance of its maturity. Of this amount, \$6.3 million was recorded in interest income which included \$4.8 million of accrued interest and a \$1.5 million prepayment charge.

In connection with the Air Canada Club Loan, Air Canada issued warrants to the lenders to purchase Air Canada Class A or Class B variable voting shares. Upon closing, Aeroplan received 1,250,000 warrants with an exercise price of \$1.51 each, exercisable at any time and expiring in four years. In addition, Aeroplan was entitled to receive its pro rata share of additional warrants, representing up to an aggregate five percent of the total issued common stock of Air Canada at the time of issuance, in the event that Air Canada did not grant additional security over certain assets within 90 days of closing. The security was not granted within the 90 day period and on October 19, 2009, Aeroplan received 1,250,000 additional warrants in connection with the Air Canada Club Loan. The additional warrants received have an exercise price of \$1.44 each and are exercisable at any time and expire four years from the date of grant, consistent with the warrants granted by Air Canada upon closing of the Air Canada Club Loan.

The warrants are presented with accounts receivable and any changes in fair value are recorded in financial income in the statement of operations.

The total fair value of the 2,500,000 warrants amounted to \$0.3 million at December 31, 2011 and \$4.5 million and \$1.1 million at December 31 and January 1, 2010 respectively.

In consideration of the foregoing, Aeroplan and Air Canada agreed to certain mutually beneficial commercial arrangements, none of which related to the pricing of Aeroplan Miles or the cost of reward travel seats.

13. REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Canada Miles redemption reserve (the “Reserve”), which, subject to compliance with the provisions of the Corporation’s credit facilities, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. On May 25, 2011, upon recommendation from management, the Board of Directors approved a reduction of the Reserve from \$400.0 million to \$300.0 million. At December 31, 2011, the Reserve amounted to \$300.0 million and was included in short-term investments and long-term investments.

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The amount held in the Reserve, as well as the types of securities in which it may be invested, are based on policies established by management, which are reviewed periodically. At December 31, 2011, the Reserve was invested in corporate, federal and provincial bonds.

14. PROPERTY AND EQUIPMENT

	December 31, 2011	December 31, 2010	January 1, 2010
Furniture, fixtures and computer hardware			
Cost	23,726	14,185	17,417
Accumulated depreciation	15,671	8,849	6,484
Net carrying amount	8,055	5,336	10,933
Leasehold Improvements			
Cost	12,532	6,657	3,369
Accumulated depreciation	4,445	3,000	1,674
Net carrying amount	8,087	3,657	1,695
Total Property and Equipment			
Cost	36,258	20,842	20,786
Accumulated depreciation	20,116	11,849	8,158
Net carrying amount	16,142	8,993	12,628

Additions to furniture, fixtures and computer hardware amounted to \$5.9 million for the year ended December 31, 2011 (2010: \$1.8 million). Additions to leasehold improvements amounted to \$5.8 million for the year ended December 31, 2011 (2010: \$2.4 million).

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15. PROPERTY AND EQUIPMENT, LONG-LIVED INTANGIBLE ASSETS AND GOODWILL

	Property and Equipment	Accumulation Partners' Contracts and Customer Relationships	Software and Technology	Trade Names	Other ^(a)	Goodwill
At January 1, 2010						
Cost	20,786	1,613,137	203,260	397,087	16,280	2,061,597
Accumulated depreciation and amortization	8,158	195,139	89,642	-	-	-
Net carrying amount	12,628	1,417,998	113,618	397,087	16,280	2,061,597
Year ended December 31, 2010						
Opening net carrying amount	12,628	1,417,998	113,618	397,087	16,280	2,061,597
Additions – Internally generated	-	-	36,431	-	-	-
Additions – Purchased	4,159	-	-	-	-	-
Depreciation and amortization expense ^{(b) (d)}	(4,604)	(74,950)	(39,589)	-	(3,619)	-
Exchange differences	(2,323)	(4,627)	(2,715)	(10,139)	(330)	(28,732)
Other adjustments	(867)	-	3,494	-	(2,627)	-
Closing net carrying amount	8,993	1,338,421	111,239	386,948	9,704	2,032,865
At December 31, 2010						
Cost	20,842	1,607,031	238,211	386,948	13,254	2,032,865
Accumulated depreciation and amortization	11,849	268,610	126,972	-	(3,550)	-
Net carrying amount	8,993	1,338,421	111,239	386,948	9,704	2,032,865
Year ended December 31, 2011						
Opening net carrying amount	8,993	1,388,421	111,239	386,948	9,704	2,032,865
Additions – Internally generated	-	-	36,676	-	-	-
Additions – Purchased	11,743	-	-	-	-	-
Depreciation and amortization expense ^{(b) (d)}	(4,793)	(74,810)	^(c) (44,972)	-	(4,932)	-
Impairment charge ^(e)	-	-	-	-	-	(53,901)
Exchange differences	199	1,013	501	2,064	54	6,639
Closing net carrying amount	16,142	1,264,624	103,444	389,012	4,826	1,985,603
At December 31, 2011						
Cost	36,258	1,608,552	276,418	389,012	13,409	1,985,603
Accumulated depreciation and amortization	20,116	343,928	172,974	-	8,583	-
Net carrying amount	16,142	1,264,624	103,444	389,012	4,826	1,985,603

(a) Included in other intangibles are the rights to use the Carlson Marketing trade name (fully amortized as of December 31, 2011) and non-competition restrictions agreed to by the vendor pursuant to the acquisition agreement.

(b) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(c) Includes a write-down of \$2.8 million related to a fulfilment platform in the US.

(d) Depreciation and amortization expense is included in "cost of sales" in the statement of operations.

(e) Impairment charge is included in "operating expenses" in the statement of operations.

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GOODWILL AND TRADE NAMES

For the purpose of impairment testing, goodwill is allocated to Aimia's operating divisions which represent the lowest level within Aimia at which goodwill is monitored for internal management purposes, and is lower in the hierarchy than Aimia's operating segments.

The aggregate carrying amounts of goodwill and trade names allocated by cash-generating unit ("CGU") or group of CGUs are as follows:

	December 31,		January 1,
	2011	2010	2010
Goodwill			
CANADA			
Aeroplan Canada	1,675,842	1,675,842	1,675,842
Canada Proprietary Loyalty ^(a)	15,888	15,888	15,888
EMEA			
Groupe Aeroplan Europe group of CGUs	263,992	259,212	282,689
EMEA Proprietary Loyalty ^(a)	16,584	16,206	17,734
US & APAC			
US Proprietary Loyalty ^(a)	13,297	65,717	69,444
APAC Proprietary Loyalty ^(a)	-	-	-
	1,985,603	2,032,865	2,061,597
Trade Names			
Aeroplan Canada	275,000	275,000	275,000
Groupe Aeroplan Europe group of CGUs	114,012	111,948	122,087
	389,012	386,948	397,087

(a) Proprietary Loyalty services formerly offered under the Carlson Marketing name.

The recoverable amounts of Aimia's cash-generating units were based on their value in use and were determined with the assistance of an independent valuation.

Value in use was determined by discounting the future cash flows generated from the continuing use of the units. Value in use in 2011 was determined similarly as in 2010. The calculation of the value in use was based on the following key assumptions:

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- Pre-tax cash flows were projected based on past experience, actual operating results, the 2012 budget and management's projections for 2013 to 2014.
- Other key assumptions applied in the discounting of future cash flows include a terminal growth rate and pre-tax discount rate. Rates were applied to each CGU based on the economic indicators within the region and specific risks related to the respective businesses within these CGUs. The rates assumed for each CGU are presented in the following table:

Segments	Canada		EMEA		US & APAC	
	Aeroplan Canada	Canada Proprietary Loyalty	Groupe Aeroplan Europe	EMEA Proprietary Loyalty	US Proprietary Loyalty	APAC Proprietary Loyalty
	%	%	%	%	%	%
2011 Assumptions						
Terminal Growth Rate	2.5	2.5	2.5	2.5	2.5	3.0
Discount Rate – pre-tax	17.7	22.0	20.3	22.0	20.8	24.2
2010 Assumptions						
Terminal Growth Rate	2.5	2.5	2.5	2.5	2.5	3.0
Discount Rate- pre-tax	15.2	19.2	23.3	24.0	21.6	23.0

As a result of the impairment test, the Corporation recorded an impairment charge of \$53.9 (US\$53.0) million for the year ending December 31, 2011. This charge relates to the impairment of goodwill in the US Proprietary Loyalty CGU.

The impairment charge in the US Proprietary Loyalty CGU primarily relates to the prevailing weakness in the US economy which impacts consumer and marketing spending in the key business verticals where the Corporation operates. As a result of these factors, projected Gross Billings and Adjusted EBITDA have been reduced, resulting in lower projected cash flows.

16. TRADE AND OTHER PAYABLES

	December 31,		January 1,
	2011	2010	2010
Trade payables and redemption accruals	245,106	237,165	233,942
Non-trade payables and other accrued expenses	124,164	92,887	141,027
Restructuring liabilities (Note 17)	12,860	-	-
	382,130	330,052	374,969

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17. RESTRUCTURING LIABILITIES

The restructuring activities undertaken during the year ended December 31, 2011 are primarily the result of the Corporation's transition to a regional structure in order to leverage the full suite of loyalty management capabilities it possesses across the organization. The objective is to replicate the strengths from each business and roll them out in each of the regions in order to optimize revenue and cost synergies, brands and technology.

Included in accounts payable and accrued liabilities are restructuring costs of \$12.9 million as at December 31, 2011 (nil as at December 31 and January 1, 2010). During the year ended December 31, 2011, the Corporation incurred \$20.9 million of restructuring expenses (nil in 2010), which are included in general and administrative expenses.

	Termination benefits	Onerous lease	Total
Balance at January 1, 2011	-	-	-
Liability recorded during the period	17,166	4,648	21,814
Liability reversed during the period	(220)	(719)	^(a) (939)
Payments made during the period	(7,288)	(723)	(8,011)
Foreign exchange translation adjustment	(6)	2	(4)
Balance at December 31, 2011	9,652	3,208	12,860

(a) Includes a reduction to the onerous lease accrual of \$0.7 million to reflect the expected benefits from a sub-lease contract signed in the fourth quarter of 2011.

Restructuring expenses incurred during year ended December 31, 2011 for each segment are presented below:

Segment	Liability recorded	Liability reversed	Net restructuring expenses
Canada	7,800	-	7,800
EMEA	3,836	^(a) (939)	2,897
US & APAC	9,918	-	9,918
Corporate	260	-	260
Total	21,814	(939)	20,875

(a) Includes a reduction to the onerous lease accrual of \$0.7 million to reflect the expected benefits from a sub-lease contract signed in the fourth quarter of 2011.

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18. DEFERRED REVENUE

A reconciliation of deferred revenue, including deferred Breakage, is as follows:

	Loyalty Units		Other		Total	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Opening balance	2,063,056	1,978,183	63,995	30,332	2,127,051	2,008,515
Loyalty Units issued – Gross Billings	1,560,801	1,457,751	-	-	1,560,801	1,457,751
Other – Gross Billings	-	-	672,425	730,002	672,425	730,002
Revenue recognized	(1,433,747)	(1,352,802)	(682,158)	(703,433)	(2,115,905)	(2,056,235)
Foreign currency and other adjustments	2,688	(20,076)	(4,326)	7,094	(1,638)	(12,982)
Ending balance	2,192,798	2,063,056	49,936	63,995	2,242,734	2,127,051
Represented by:						
Current portion ^(a)	1,511,953	1,316,540	45,916	57,801	1,557,869	1,374,341
Long-term	680,845	746,516	4,020	6,194	684,865	752,710

(a) The current portion is management's best estimate of the amount to be realized in the next twelve months, based on historical trends.

MEASUREMENT UNCERTAINTY

Aimia may be required to provide rewards to members for unexpired Loyalty Units accounted for as Breakage on the Loyalty Units issued to date for which the revenue has been recognized or deferred and for which no liability has been recorded. The maximum potential redemption cost for such Loyalty Units is estimated to be \$1,060.8 million at December 31, 2011.

The potential redemption costs, noted above, have been calculated on the basis of the current average redemption cost, reflecting actual prices with Redemption Partners, including Air Canada, and the experienced mix of the various types of rewards that members have selected, based on past experience.

Management has calculated that the cumulative effect of a 1% change in Breakage in each individual program would have a consolidated impact on revenue and earnings before income taxes of \$114.8 million for the period in which the change occurred, with \$96.4 million relating to prior years and \$18.4 million relating to the current year.

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19. PROVISIONS

VAT LITIGATION (NOTE 5)

	VAT Provision
Balance at January 1, 2010	-
Provision recorded during the year	136,572
Provision used during the year	-
Provision reversed during the year	-
Foreign exchange translation adjustment	(3,567)
Balance at December 31, 2010	133,005
Provision recorded during the year	12,341
Provision used during the year	-
Provision reversed during the year	-
Foreign exchange translation adjustment	2,402
Balance at December 31, 2011	147,748

LMG has been in litigation with Her Majesty's Revenue & Customs ("HMRC") since 2003 relating to the VAT treatment of the Nectar Program as it applies to the deductibility of input tax credits in the remittance of VAT owed, and paid an assessed amount of £13.8 million (\$27.1 million).

LMG appealed to the VAT and Duties Tribunal, which ruled in its favour. HMRC then appealed to the High Court which found in favour of HMRC. LMG, in turn, appealed to the Court of Appeal, which issued a judgment in favour of LMG on October 5, 2007 requiring the refund of the assessed amount and confirming LMG's eligibility to deduct input tax credits in the future. As a result of this event, an amount receivable of £13.8 million (\$27.1 million) was recorded in the accounts at December 31, 2007 and subsequently collected in January 2008.

HMRC appealed the Court of Appeal's decision to the House of Lords which granted leave to appeal in order to facilitate a reference to the European Court of Justice ("ECJ"). The case was heard on January 21, 2010. On October 7, 2010, the ECJ ruled against LMG and in favour of HMRC. The case has been referred back to the UK Supreme Court for judgment based on the guidance of the ECJ. The hearing is scheduled to take place on October 24 and October 25, 2012.

Based on the binding and non-appealable nature of the judgment rendered by the ECJ, an amount of \$133.0 million (£85.7 million) was recorded in provisions at December 31, 2010 representing input tax credits relating to the supply of goods claimed historically and to date, and interest and penalties. An amount of \$63.9 million (£41.2 million),

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relating to recoverable amounts under the terms of contractual agreements with certain Redemption Partners, was also recorded in accounts receivable (*Note 10*). Of the net amount, \$62.1 million (£39.0 million) (of which \$9.0 million (£5.6 million) related to the year ended December 31, 2010, and \$53.1 million (£33.4 million) related to the period from 2002 to 2009) was charged to cost of rewards during 2010. In addition, \$1.6 million (£1.0 million) and \$7.2 million (£4.5 million) were charged to general and administrative expenses and interest expense, respectively.

In addition, an accrual in the amount of \$7.2 million (£4.5 million), payable to certain employees in the event of a favourable outcome, was reversed into earnings, reducing general and administrative expenses during the year ended December 31, 2010.

For the year ended December 31, 2011, \$7.9 million (£5.0 million) has been recorded in cost of rewards and \$4.4 million (£2.8 million) has been recorded in interest expense.

At December 31, 2011, \$147.7 million (£93.5 million) was recorded in provisions and \$65.0 million (£41.2 million) was recorded in accounts receivable.

At this time, the provision represents management's best estimate. The ECJ provided for potential relief to mitigate a portion of the increase in the cost base resulting from the ECJ VAT Judgment which will require further discussion with HMRC. Given that the case has been referred back to the UK Supreme Court for judgment based on the guidance of the ECJ, and due to the need for on-going discussions with HMRC, management has neither considered nor accounted for any potential favourable impact of this aspect of the ECJ VAT Judgment.

The ECJ VAT Judgment has not yet affected cash flows as the amounts have not been settled. This will likely occur once the UK Supreme Court renders judgment based on the guidance of the ECJ and the settlement process is agreed to with HMRC, which is anticipated to take place subsequent to the hearing.

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20. LONG-TERM DEBT

On May 6, 2011, Aimia concluded an amendment to its existing credit facilities with its lending syndicate, resulting in the settlement of the old credit facilities and new borrowings under the new credit facility. As of December 31, 2011, \$40.0 million was drawn and \$260.0 million remained authorized and available under the revolving facility.

The following is a summary of Aimia's authorized and outstanding revolving facility and Senior Secured Notes Series 1, 2 and 3:

	Authorized at December 31, 2011	Drawn at December 31, 2011	Drawn at December 31, 2010	Drawn at January 1, 2010
Revolving facility ^(a)	300,000	40,000	-	140,000
Term facility ^(b)	-	-	100,000	300,000
Senior Secured Notes Series 1 ^(c)	N/A	200,000	200,000	200,000
Senior Secured Notes Series 2 ^(d)	N/A	150,000	150,000	150,000
Senior Secured Notes Series 3 ^(e)	N/A	200,000	200,000	-
Prepaid interest ^(f)	N/A	-	(259)	(709)
Unamortized transaction costs ^(f)	N/A	(3,322)	(5,838)	(9,183)
		586,678	643,903	780,108
Less: current portion ^(c)		200,000	-	-
Total		386,678	643,903	780,108

(a) The revolving facility matures on April 23, 2014, or earlier at the option of Aimia, without penalty, and depending on the Corporation's credit ratings, bears interest at rates ranging between Canadian prime rate plus 0.75% to 2.00% and the Bankers' Acceptance and LIBOR rates plus 1.75% to 3.00%. Amounts owed under the revolving facility at January 1, 2010 were repaid in January 2010 with proceeds generated from the issuance of the Preferred Shares, Series 1 (Note 26).

At December 31, 2011, amounts borrowed under the revolving facility were in the form of prime loans, bearing an interest rate of 4.25%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of \$13.3 million. This amount reduces the available credit under the revolving facility.

(b) On May 6, 2011, the term facility was fully repaid with funds drawn from the revolving facility, and the term facility was terminated.

(c) On April 23, 2009 and April 30, 2009, Aimia issued Senior Secured Notes Series 1 in the principal amount of \$175.0 million and \$25.0 million, respectively. These notes bear interest at 9% per annum, payable semi-annually in arrears on April 23rd, and October 23rd of each year, commencing October 23, 2009, and mature on April 23, 2012.

(d) On September 2, 2009, Aimia issued Senior Secured Notes Series 2 in the principal amount of \$150.0 million. These notes bear interest at 7.9% per annum, payable semi-annually in arrears on March 2nd and September 2nd of each year, commencing March 2, 2010 and mature on September 2, 2014.

(e) On January 26, 2010, Aimia issued Senior Secured Notes Series 3 in the principal amount of \$200.0 million. These notes bear interest at 6.95%, payable semi-annually in arrears on January 26th and July 26th of each year, commencing July 26, 2010 and mature on January 26, 2017. The proceeds from the notes issued were used to repay a portion of the term facility, with the authorized availability being reduced by the amount of the payment.

(f) Long-term debt is presented net of prepaid interest and unamortized transaction costs.

Each of the Senior Secured Notes Series 1, 2 and 3 are secured by certain present and future undertakings, property and assets of the Corporation and certain of its subsidiaries and rank equally and pari passu, including with respect to security interest, with all other present and future unsubordinated debt of the Corporation, and are subject to compliance with certain affirmative and negative covenants.

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The continued availability of the credit facilities is subject to Aimia's ability to maintain certain leverage, debt service and interest coverage covenants, as well as other affirmative and negative covenants, including certain limitations of distributions in the form of dividends or equity repayments in any given fiscal year, as set out in the credit agreement.

The following table illustrates the financial ratios calculated on a trailing twelve-month basis:

Ratio	Result	Test
Leverage	1.75	≤ 2.75
Debt service ^(a)	0.18	≤ 2.00
Interest coverage	7.99	≥ 3.00

(a) This ratio takes into account Aimia's net debt, calculated as long-term debt less cash, restricted cash, short-term investments and long-term investments in corporate and government bonds.

21. PENSION AND OTHER LONG-TERM LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Pension and other future benefits obligations <i>(Note 22)</i>	21,397	19,559	19,361
Other	9,606	7,688	6,565
Total	31,003	27,247	25,926

22. EMPLOYEE BENEFITS

Total employee benefit expenses, including salary and wages, pension costs, share-based compensation, termination and other benefits, for the year ended December 31, 2011 amounted to \$328.6 million (2010: \$324.8 million).

Employee Share Purchase Plan

The employee share purchase plan allows eligible employees to invest up to 5% of their salary for the purchase of Fund Units. Upon the Fund's conversion to a corporation, the plan was amended to allow for the purchase of Aimia's common shares on the secondary market. The corporate yearly contribution is charged to earnings as compensation expense over the period. For the years ended December 31, 2011 and 2010, Aimia's contributions to the plan were not significant.

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DEFINED CONTRIBUTION PLANS

Total employee pension costs, as recognized by Aimia under required defined contribution employee future benefit accounting practices, amounted to \$5.9 million for the year ended December 31, 2011 (2010: \$5.6 million).

DEFINED BENEFIT PLAN

As a result of the termination of the General Services Agreement dated May 13, 2005, effective January 1, 2005 between Air Canada and Aeroplan (the "GSA"), all obligations under the GSA, including the special payments in respect of pension plans in which the assigned employees under the GSA participated have ceased.

In June 2009, the Corporation implemented a defined benefit pension plan as a result of the termination of the GSA and the transfer of the contact centre agents. The following table summarizes the information related to the defined benefit pension plan, which provides benefits upon retirement, termination or death based on the member's years of service and final average earnings for a specified period, and other employee benefits consisting of post-employment life insurance, health and dental care, offered to disabled employees and post-retirement life insurance and health benefits, established for the contact centre employees. The defined benefit pension plan is not subject to indexation clauses.

As part of the transfer of the employees, Aeroplan agreed to recognize the transferred employees' seniority and assume any excess pension obligation arising from the accumulation of service years post termination with Air Canada until retirement from Aeroplan. This past service cost obligation and the past service cost obligation related to the other employee future benefits have been estimated at \$13.9 million and \$8.9 million, respectively, based on an actuarial valuation dated December 31, 2009, and are amortized over the vesting period.

On October 30, 2009, Aimia announced that Aeroplan had reached a three-year agreement with CAW Local 2002 that represents Aeroplan contract centre employees, effective November 15, 2009. The collective agreement was ratified by 67% of voters after union meetings held in Montreal on October 28, 2009 and in Vancouver on October 29, 2009.

Aeroplan has determined, supported by independent legal counsel, that it does not have to assume Air Canada's existing pension liability to the transferred employees, and such pension liability remains for the account of Air Canada. Air Canada has notified Aeroplan that it disagrees with Aeroplan's position. The outcome of the resolution of this disagreement is unknown at this time and no amount has been quantified. Accordingly, no provision for a liability has been included in these financial statements.

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December 31,	Pension Benefits ^(a)		Other Employee Future Benefits ^(a)	
	2011	2010	2011	2010
Change in benefit obligation				
Accrued benefit obligation, beginning of year	(19,008)	(16,130)	(9,142)	(10,243)
Current service cost	(1,646)	(664)	(431)	(350)
Participant contributions	(1,684)	(1,670)	-	-
Interest cost	(1,244)	(1,290)	(532)	(647)
Benefits paid	251	69	143	141
Actuarial gain (loss)	(1,494)	677	(968)	1,957
Benefit obligation, end of year	(24,825)	(19,008)	(10,930)	(9,142)
Change in plan assets				
Fair value of plan assets, beginning of year	8,872	3,250	-	-
Expected return on plan assets	714	382	-	-
Actuarial gain (loss)	(1,409)	(988)	-	-
Employer contribution	4,581	4,627	-	-
Plan participants' contributions	1,684	1,670	-	-
Benefits paid	(251)	(69)	-	-
Fair value of plan assets, end of year	14,191	8,872	-	-
Funded (unfunded) status, end of year	(10,634)	(10,136)	(10,930)	(9,142)
Unrecognized past service cost	-	-	4,486	5,273
Minimum funding requirement liability	(4,319)	(5,554)	-	-
Accrued benefit asset (liability)	(14,953)	(15,690)	(6,444)	(3,869)

(a) Measured at December 31st of each year. The effective date of the annual valuation required for funding purposes is December 31st of the current and following years.

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The defined benefit pension plan assets consist of:

	December 31,		January 1,
	2011	2010	2010
	%	%	%
Asset category ^(a)			
Equity securities	62.0	69.0	74.0
Debt securities	27.0	15.0	16.0
Other	11.0	16.0	10.0
Total	100.0	100.0	100.0

a) Measured at December 31st of each year.

The weighted average assumptions used to determine the accrued benefit liability are as follows:

December 31,	Pension Benefits ^(b)		Other Employee Future Benefits ^(b)	
	2011	2010	2011	2010
Discount rate to determine accrued benefit obligations	5.5	5.6	5.3	5.6
Discount rate to determine the pension and benefit cost	5.6	7.0	5.6	6.15
Rate of compensation increase	2.0 until 2012; 2.5 thereafter	2.0 until 2012; 2.5 thereafter	-	-
Expected return on plan assets, at January 1	6.0	6.0	N/A	N/A
Health care inflation – Selected to determine accrued benefit obligation ^(a)	N/A	N/A	4.5 & 8.5	4.5 & 8.5
Health care inflation – Selected to determine pension and benefit cost ^(a)	N/A	N/A	4.5 & 8.5	4.5 & 8.5

(a) The health care inflation assumption was downgraded, in and after 2018, to 5% per annum.

(b) Assumptions are assessed at December 31st of each year.

The expected long-term rate of return on Plan assets has been determined based on the long-term return expectation stipulated in the Statement of Investment Policy and Procedures for the Pension Plan for Aeroplan Unionized Employees, as well as the target asset mix of each fund manager included in the Plan investment portfolio.

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Assumed healthcare cost trend rates have a significant effect on the amounts recognized in earnings. A one percentage point change in assumed healthcare cost trend rates would have following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate service and interest cost	\$ 60	\$ (53)
Effect on defined benefit obligation	\$548	\$(497)

The components of Aeroplan's net defined benefit pension plan and other future employee benefits expenses are itemized as follows:

	Pension Benefits		Other Employee Future Benefits	
	2011	2010	2011	2010
Components of expenses				
Current service cost	1,646	664	431	350
Interest cost	1,244	1,290	532	647
Expected return on plan assets	(714)	(382)	-	-
Actuarial (gain) loss	-	-	325	141
Amortization of past service costs	-	-	787	787
Net periodic pension and benefit expense recognized	2,176	1,572	2,075	1,925

These expenses are recognized in the "selling and marketing expenses" in the statement of operations. The actual loss on plan assets was \$0.7 million for the year ended December 31, 2011 (\$0.6 million, 2010).

The Corporation has recognized cumulative actuarial losses in other comprehensive income amounting to \$2.5 million at December 31, 2011.

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The Corporation expects \$4.6 million in contributions to be paid to its benefit plans in 2012.

	December 31,		January 1,
	2011	2010	2010
Present value of defined benefit obligation	(24,825)	(19,008)	(16,130)
Fair value of plan assets	14,191	8,872	3,250
Surplus (deficit) in the plan	(10,634)	(10,136)	(12,880)
Experience adjustments arising on plan liabilities – increase (decrease)	1,050	(720)	-
Experience adjustments arising on plan assets – increase (decrease)	(1,409)	(988)	(47)

23. INCOME TAXES

INCOME TAX EXPENSE

Income tax expense for the year is as follows:

	December 31,	
	2011	2010
Current tax		
Current tax on profits for the year	48,659	41,046
Adjustment in respect of prior years	2,695	-
Total current tax	51,354	41,046
Deferred tax		
Origination and reversal of temporary differences	11,119	5,464
Change in UK tax rate	1,900	-
Total deferred tax	13,019	5,464
Income tax expense	64,373	46,510

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Income tax recognized directly in equity is as follows:

	December 31, 2011			December 31, 2010		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Preferred shares issued	-	-	-	167,258	1,529	168,787
Translation differences for foreign operations	(382)	-	(382)	5,296	-	5,296

Income taxes included in the statement of earnings differ from the statutory rate as follows:

	December 31,			
	2011		2010	
	%	\$	%	\$
Reconciliation of statutory tax rate				
Income tax expense (recovery) at Canadian statutory tax rate:	27.69	(3,483)	30.00	16,436
Adjusted for the effect of:				
Temporary differences for which no future income tax asset has been recorded	(481.76)	60,596	68.78	37,683
Permanent differences – other	(9.13)	1,149	(17.19)	(9,420)
Foreign operations – subject to lower tax rates	(12.05)	1,516	3.30	1,811
Prior year adjustments	(21.43)	2,695	-	-
Effect of tax rate changes on future income taxes	(15.11)	1,900	-	-
Income tax expense as reported in the consolidated statements of operations and effective tax rate	(511.79)	64,373	84.89	46,510

The applicable statutory tax rates are 27.69% in 2011 and 30% in 2010. The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates. The decrease is mainly due to the reduction of the Federal income tax rate in 2011 from 18% to 16.5%.

During the year, as a result of the change in the UK corporation tax rate from 28% to 25% that was substantially enacted on July 5, 2011 and that will be effective from April 1, 2012, the relevant deferred tax balances have been remeasured.

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DEFERRED INCOME TAX ASSETS AND LIABILITIES

At December 31, 2011, no deferred tax liabilities for temporary differences of \$10.7 million (2010: \$8.5 million) related to investments in subsidiaries were recognized because Aimia controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The amounts recognized in the consolidated balance sheet consist of:

	December 31,	
	2011	2010
Deferred tax liabilities – to be settled within 12 months	9,656	9,323
Deferred tax liabilities – to be settled after 12 months	200,999	188,552
	210,655	197,875

Movements in temporary differences during the year were as follows:

	Balance at December 31, 2010	Recognized in Earnings 2011	Recognized in OCI 2011	Recognized in Equity 2011	Balance at December 31, 2011
Deferred tax assets					
Eligible capital expenditures	182,669	(13,923)	-	-	168,746
Deferred revenue	33,567	(14,812)	-	115	18,870
Losses available for carryforward	29,736	(5,270)	-	328	24,794
Note receivable	1,311	(1,334)	-	23	-
Deferred transaction costs	2,373	(304)	-	-	2,069
Other	6,208	(922)	621	-	5,907
Deferred tax liabilities					
Accumulation Partners' contracts, customer relationships and trade names	(440,947)	22,063	-	(848)	(419,732)
Software and technology	(12,792)	1,483	-	-	(11,309)
	(197,875)	(13,019)	621	(382)	(210,655)

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Movements in temporary differences during the prior year were as follows:

	Balance at January 1, 2010	Recognized in Earnings 2010	Recognized in OCI 2010	Recognized in Equity 2010	Balance at December 31, 2010
Deferred tax assets					
Eligible capital expenditures	199,525	(16,856)	-	-	182,669
Deferred revenue	37,613	(6,279)	-	2,233	33,567
Losses available for carryforward	34,715	(11,361)	-	6,382	29,736
Note receivable	1,311	(313)	-	313	1,311
Deferred transaction costs	1,404	969	-	-	2,373
Other	4,316	(21)	384	1,529	6,208
Deferred tax liabilities					
Accumulation Partners' contracts, customer relationships and trade names	(464,969)	27,654	-	(3,632)	(440,947)
Software and technology	(13,535)	743	-	-	(12,792)
	(199,620)	(5,464)	384	6,825	(197,875)

At December 31, 2011 Aimia had the following operating tax losses available for carryforward and temporary differences which may be used to reduce taxable income in future years and for which no future tax benefit has been recorded in the accounts.

Country		Carryforward period
United Kingdom		
losses available for carryforward	315,451	Indefinite
United States		
losses available for carryforward	1,509	2029
	10,355	2030
	29,970	2031
	41,834	
Deductible temporary differences	61,415	N/A

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24. CONTINGENT LIABILITIES

Aimia has agreed to indemnify its directors and officers, and the directors and officers of its subsidiaries, to the extent permitted under corporate law, against costs and damages incurred as a result of lawsuits or any other judicial, administrative or investigative proceeding in which said directors or officers are sued as a result of their services. The directors and officers are covered by directors' and officers' liability insurance.

In limited circumstances, Aimia may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At December 31, 2011, Aimia's maximum exposure under such guarantees was estimated to amount to \$156.5 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

On July 2, 2009, Aimia was served with a motion for authorization to institute a class action and to obtain the status of representative in the Superior Court of Quebec. No class action has yet been filed. This motion is the first procedural step before any such action can be instituted. Petitioners seek court permission to sue Aeroplan on behalf of program members in Canada to obtain reinstatement of expired miles, reimbursement of any amounts already expended by Aeroplan members to reinstate their expired miles, \$50 in compensatory damages and an undetermined amount in exemplary damages on behalf of each class member, all in relation to changes made to the Aeroplan program concerning accumulation and expiry of Aeroplan Miles as announced on October 16, 2006.

The motion was heard on May 9 and 10, 2011 and a decision is anticipated imminently.

At this time, given that the petitioners have not yet obtained the court's permission to file the class action suit, and that the outcome of such class action suit, if permission to file were to be granted by the court, is not determinable, no provision for a liability has been included in these financial statements.

From time to time, Aimia becomes involved in various claims and litigation as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, management believes the resolution of current pending claims and litigation will not have a material impact on Aimia's financial position and results of operations.

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25. DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the years ended December 31, 2011 and 2010 were as follows:

	2011		2010	
	Amount	Amount per common share ^(a)	Amount	Amount per common share
March	23,010	0.125	24,999	0.125
June	26,909	0.150	24,764	0.125
September	26,253	0.150	23,882	0.125
December	26,096	0.150	23,372	0.125
	102,268	0.575	97,017	0.500

(a) On May 25, 2011, the Board of Directors of Aimia approved an increase to the common share dividend from \$0.125 to \$0.150 per share per quarter.

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2011 and 2010 were as follows:

	2011		2010	
	Amount	Amount per preferred share	Amount	Amount per preferred share
March	2,803	0.406	2,150	0.312
June	2,803	0.406	2,803	0.406
September	2,803	0.406	2,803	0.406
December	2,804	0.406	2,804	0.406
	11,213	1.625	10,560	1.530

On February 22, 2012, the Board of Directors of Aimia has declared quarterly dividends of \$0.15 per common share and \$0.40625 per preferred share, payable on March 30, 2012.

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26. CAPITAL STOCK

A) CAPITAL STOCK

Authorized:

An unlimited number of common shares, voting, no par value;

An unlimited number of preferred shares, non-voting, non-participating, issuable in series, no par value.

COMMON SHARES:

Issued and outstanding	December 31,			
	2011		2010	
	Number of shares	\$	Number of shares	\$
Opening balance	186,788,979	1,638,710	199,462,480	1,747,448
Shares repurchased under the normal course issuer bid program	(13,223,531)	(116,091)	(13,022,900)	(113,898)
Shares released from stock-based compensation plans	27,428	1,385	319,343	4,905
Common shares issued upon exercise of stock options	224,505	2,851	30,056	255
Closing balance	173,817,381	1,526,855	186,788,979	1,638,710

PREFERRED SHARES:

Issued and outstanding	December 31,			
	2011		2010	
	Number of shares	\$	Number of shares	\$
Opening balance	6,900,000	168,787	-	-
Issuance of preferred shares, Series 1	-	-	6,900,000	168,787
Closing balance	6,900,000	168,787	6,900,000	168,787

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NORMAL COURSE ISSUER BID

On May 11, 2010, the Corporation received approval from the Toronto Stock Exchange and announced its intention to repurchase up to 5,000,000 of its issued and outstanding common shares during the period from May 14, 2010 to no later than May 13, 2011, through a Normal Course Issuer Bid ("NCIB") program. On August 11, 2010, the Corporation subsequently received approval from the Toronto Stock Exchange to increase the number of common shares that it could repurchase under the NCIB from 5,000,000 to 19,983,631, during the period from May 14, 2010 to no later than May 13, 2011.

From May 14 to December 31, 2010, Aimia repurchased and cancelled 13,022,900 common shares for total cash consideration of \$142.5 million. Share capital was reduced by \$113.9 million and the remaining \$28.6 million was accounted for as a reduction of contributed surplus.

From January 1 to May 13, 2011, Aimia repurchased and cancelled 6,960,731 common shares for total cash consideration of \$90.4 million. Share capital was reduced by \$61.0 million and the remaining \$29.4 million was accounted for as a reduction of contributed surplus.

On May 12, 2011, the Corporation received approval from the Toronto Stock Exchange and announced the renewal of its NCIB to repurchase up to 18,001,792 of its issued and outstanding common shares during the period from May 16, 2011 to no later than May 13, 2012. Total common shares repurchased and cancelled during the period from May 16, 2011 to December 31, 2011, pursuant to the NCIB, amounted to 6,262,800 for total cash consideration of \$75.8 million. Share capital was reduced by \$55.1 million, and the remaining \$20.7 million was accounted for as a reduction of contributed surplus.

PREFERRED SHARES, SERIES 1:

On January 20, 2010 and January 26, 2010, pursuant to a prospectus supplement dated January 13, 2010, Aimia issued a total of 6,900,000 Preferred Shares, Series 1, for total cash consideration of \$167.3 million, net of issue costs of \$5.2 million. Additionally, a related income tax benefit of \$1.5 million was recorded. The Preferred Shares, Series 1, bear a 6.5% annual cumulative, quarterly dividend, which is subject to a rate reset on March 31, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 3.75%. The Preferred Shares, Series 1 are redeemable by Aimia on March 31, 2015, and every five years thereafter in accordance with their terms.

Holders of Preferred Shares, Series 1 will have the right, at their option, to convert their shares into cumulative floating rate preferred shares, series 2 (the "Preferred Shares, Series 2"), subject to certain conditions, on March 31, 2015 and on March 31 every five years thereafter. Holders of the Preferred Shares, Series 2 will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.75%.

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The net proceeds of the issue were used by Aimia to repay amounts owed under the revolving facility in the amount of \$140.0 million as at January 1, 2010, with the balance used for general corporate purposes.

B) STOCK-BASED COMPENSATION

Aimia Long-Term Incentive Plan

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:

	December 31,	
	2011	2010
Compensation expense relating to the options granted	\$1,967	\$2,195
Number of stock options granted	1,727,870	1,642,244
Weighted average fair value per option granted	\$3.77	\$3.45
Aggregate fair value of options granted	\$6,510	\$5,670
Weighted average assumptions:		
Share price	\$12.74	\$10.96
Exercise price	\$12.74	\$10.96
Risk-free interest 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 daily share prices over the last seven years.

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

	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding – Beginning of year	3,183,517	10.46	1,791,525	10.05
Granted	1,727,870	12.74	1,642,244	10.96
Exercised	(224,505)	9.90	(30,056)	8.47
Forfeited	(682,813)	11.99	(220,196)	11.12
Options outstanding – end of year	4,004,069	11.42	3,183,517	10.46
Options exercisable – end of year	998,335	10.68	493,307	10.50

The weighted average share price at the date of exercise for the share options exercised in 2011 was \$12.07 (2010: \$10.40).

Year granted	Options Outstanding		Options Exercisable		Expiration Date
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
2008	355,000	12.94	266,250	12.94	2015
2009	854,387	8.97	417,039	9.00	2016
2010	1,246,261	10.99	315,046	10.99	2017
2011	1,548,421	12.77	-	-	2018
	4,004,069	11.42	998,335	10.68	

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The details of Aimia shares held under stock-based compensation plans described in *Note 2* are as follows:

December 31,	On-going LTIP		Omnibus Plan	
	2011	2010	2011	2010
Number of shares outstanding – beginning of year	-	170,426	240,000	339,522
Number of shares granted during the year	-	-	-	80,000
Number of shares forfeited during the year	-	(2,518)	-	(11,143)
Number of shares vested during the year	-	(167,908)	(80,000)	(168,379)
Number of shares outstanding – end of year	-	-	160,000	240,000
Weighted average remaining life (years)	-	-	1.5	2.0
Cost of shares purchased during the period (\$)	-	-	-	\$646
Weighted average fair value per share on date of grant (\$)	-	-	-	\$16.92

The details of Aimia's PSUs and DSUs described in *Note 2* are as follows:

December 31,	PSU		DSU	
	2011	2010	2011	2010
Number of units outstanding – beginning of year	657,483	379,662	241,242	218,581
Number of units granted during the year	452,872	300,395	43,082	32,659
Number of units forfeited during the year	(201,022)	(22,574)	-	(7,457)
Number of units vested/settled during the year	-	-	-	(2,541)
Number of units outstanding – end of year	909,333	657,483	284,324	241,242
Weighted average fair value per unit on date of grant (\$)	\$12.79	\$11.01	\$12.61	\$11.13

The PSUs vest 3 years after the grant, subject to performance conditions, while the DSUs vest over 4 years for eligible employees and are not subject to vesting conditions for the directors and are payable to them only upon termination of service.

Pursuant to the terms of the Omnibus plan, Aimia shares have been purchased on the open market of the Toronto Stock Exchange and are held by a trustee for the benefit of the eligible employees until their vesting.

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Total stock-based compensation expense for the fiscal years ended December 31, 2011 and 2010:

	Year ended December 31	
	2011	2010
Stock options and PSUs compensation	4,928	6,812
Other share based payment compensation	808	4,264
Total stock-based compensation expense	5,736	11,076

27. COMMITMENTS

A) OPERATING LEASE COMMITMENTS

The minimum lease payments under various non-cancellable operating leases, not yet incurred at the end of the reporting period, are as follows:

Year ending December 31,	
2012	11,981
2013 to 2016	33,864
Thereafter	6,948
Total	52,793

Aimia leases a number of offices under operating leases. The leases typically run for a period of 3 to 5 years, with an option to renew the lease for a period generally equal to the original term of the lease.

During the year ended December 31, 2011 an expense of \$21.1 million was recognized as an expense in earnings in respect of operating leases (2010: \$19.4 million).

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B) OPERATING COMMITMENTS AND OTHER

Operating expenditures contracted for at the end of the reporting period but not yet incurred are as follows:

Year ending December 31,	
Technology infrastructure and other	60,373
Marketing support and other ^(a)	66,186

(a) Marketing support amounts represent maximum obligations with the Corporation's undertakings to promote the loyalty programs it operates.

Under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. At December 31, 2011, Aimia complied with all such covenants.

28. SEGMENTED INFORMATION

Effective January 1, 2011, the Corporation was reorganized into three reportable and operating segments: Canada, EMEA and US & APAC.

The segments are the Corporation's strategic business units. For each of the strategic business units, the Corporation's CEO reviews internal management reports on a monthly basis. The segments have been identified on the basis of geographical regions and are aligned with the organizational structure and strategic direction of the organization.

The Canada segment derives its revenues primarily from the Aeroplan Program and from proprietary loyalty services. The US & APAC segment derives its revenues primarily from proprietary loyalty services. The EMEA segment derives its revenues primarily from loyalty programs, including the Nectar and Nectar Italia programs, operating in the United Kingdom and Italy, respectively, and from its interest in the Air Miles Middle East program. In addition, the EMEA segment also generates revenues from proprietary loyalty services and loyalty analytics services, including ISS.

For the year ended December 31, 2010, the Corporation's operating segments were Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe. The change in segmentation results from a strategic decision to transition to a regional structure in order to leverage the full suite of loyalty management capabilities across the regions in order to optimize revenue and cost synergies, brands and technology. As a result, the comparative information for 2010 has been restated to conform with the new segmentation.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. There are no significant inter-segment sales. Management of other financial expenses, share-based

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compensation, and income tax expense is centralized and, consequently, these expenses are not allocated to the operating segments.

	Year ended December 31,											
	2011		2010		2011		2010		2011		2010	
	Canada		EMEA		US & APAC		Corporate ^(b)		Consolidated			
Gross Billings	1,299,492	1,248,569	571,012 ^(c)	502,879 ^(c)	362,722 ^(c)	436,305 ^(c)	-	-	2,233,226 ^(c)	2,187,753 ^(c)		
Gross Billings from the sale of Loyalty Units	1,078,504	1,033,223	482,297	424,528	-	-	-	-	1,560,801	1,457,751		
Revenue from Loyalty Units	1,102,463	956,412	331,284 ^(f)	396,390	-	-	-	-	1,433,747 ^(f)	1,352,802		
Revenue from proprietary loyalty services	177,695	157,315	25,057	32,611	364,506	420,654	-	-	567,258	610,580		
Other revenue	49,714	49,266	65,186	43,587	-	-	-	-	114,900	92,853		
Total revenue	1,329,872	1,162,993	421,527 ^(f)	472,588	364,506	420,654	-	-	2,115,905 ^(f)	2,056,235		
Cost of rewards and direct costs	725,562	665,371	383,522	386,325	223,790	243,586	-	-	1,332,874	1,295,282		
Depreciation and amortization ^(a)	100,197	99,850	13,884	13,665	15,426	9,247	-	-	129,507	122,762		
Gross margin	504,113	397,772	24,121 ^(f)	72,598	125,290	167,821	-	-	653,524 ^(f)	638,191		
Operating expenses before share-based compensation and impairment of goodwill	223,482	207,682	137,600	107,950	150,547	176,959	41,282	38,926	552,911	531,517		
Share-based compensation	-	-	-	-	-	-	5,736	11,076	5,736	11,076		
Impairment of goodwill ^(h)	-	-	-	-	53,901	-	-	-	53,901	-		
Total operating expenses	223,482	207,682	137,600	107,950	204,448	176,959	47,018	50,002	612,548	542,593		
Operating income (loss)	280,631	190,090	(113,479) ^(f)	(35,352)	(79,158)	(9,138)	(47,018)	(50,002)	40,976 ^(f)	95,598		
Financial expenses	255	290	4,494	8,543	5	53	54,624	56,095	59,378	64,981		
Financial income	5,939 ^(g)	19,302 ^(g)	3,905	4,430	424	439	-	-	10,268 ^(g)	24,171 ^(g)		
Share of net loss of PLM	-	-	-	-	-	-	(4,444)	-	(4,444)	-		
Earnings (loss) before income taxes	286,315 ^(g)	209,102 ^(g)	(114,068) ^(f)	(39,465)	(78,739)	(8,752)	(106,086)	(106,097)	(12,578) ^{(f)(g)}	54,788 ^(g)		
Additions to non-current assets ^(d)	24,056	22,655	16,455	8,690	4,408	15,532	N/A	N/A	44,919	46,877		
Non-current assets ^(d)	3,259,974	3,331,272	459,729 ^(e)	450,316 ^(e)	43,948 ^(e)	106,582 ^(e)	N/A	N/A	3,763,651 ^(e)	3,888,170 ^(e)		
Deferred revenue	1,815,595	1,845,284	412,815	265,662	14,324	16,105	N/A	N/A	2,242,734	2,127,051		
Total assets	3,796,092	4,016,306	931,724	889,233	149,512	211,345	54,405	24,080	4,931,733	5,140,964		

(a) Includes depreciation and amortization as well as amortization of Accumulation Partners' contracts, customer relationships and technology.

(b) Includes expenses that are not directly attributable to any specific operating segment. Corporate also includes the investments in PLM and Cardlytics and Aimia's share of PLM's net earnings (loss).

(c) Includes Gross Billings of \$466.8 million in the UK and \$196.3 million in the US for the year ended December 31, 2011, compared to Gross Billings of \$417.5 million in the UK and \$271.7 million in the US for the year ended December 31, 2010. Third party Gross Billings are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

(d) Non-current assets includes amounts relating to goodwill, Accumulation Partners' contracts, trade names, customer relationships, other intangibles, software and technology and property and equipment.

(e) Includes non-current assets of \$408.4 million in the UK and \$38.0 million in the US as of December 31, 2011, compared to non-current assets of \$399.1 million in the UK and \$100.8 million in the US as of December 31, 2010.

(f) Includes the impact of the adjustments to the Breakage estimates related to the Nectar and Air Miles Middle East programs, which resulted in a reduction of \$136.0 million to revenue from Loyalty Units, with \$113.3 million being attributable to prior years and \$22.7 million to the 2011 year. Of the total adjustment, \$95.2 million is attributable to the Nectar program and \$40.8 million to the Air Miles Middle East program.

(g) Includes a loss of \$4.1 million relating to the fair value adjustment of the Air Canada warrants for the year ended December 31, 2011, compared to a gain of \$3.4 million for the year ended December 31, 2010.

(h) The goodwill impairment charge recorded during the year ended December 31, 2011 relates to our US Proprietary Loyalty cash-generating unit.

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29. CAPITAL DISCLOSURES

Aimia's capital consists 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).

Aimia'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.

In managing its capital structure, Aimia monitors performance throughout the year to ensure anticipated cash dividends, working capital requirements and maintenance capital expenditures are funded from operations, available cash on deposit and, where applicable, bank borrowings. Aimia manages its capital structure and may make adjustments to it, in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, Aimia may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

The total capital as at December 31, 2011 and December 31, 2010 is calculated as follows:

	December 31,	
	2011	2010
Cash and cash equivalents	(202,147)	(538,580)
Short-term investments	(58,372)	-
Long-term investments in corporate and government bonds	(279,737)	(176,922)
Long-term debt (including current portion)	586,678	643,903
Share Capital	1,695,642	1,807,497
Contributed surplus	1,222,061	1,269,282
Deficit	(1,583,109)	(1,408,260)
Total capital	1,381,016	1,596,920

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Aimia monitors capital using a number of financial metrics, including but not limited to:

- the leverage ratio, defined as debt to adjusted earnings before interest, taxes, depreciation and amortization, adjusted for changes in deferred revenue and future redemption costs (Adjusted EBITDA);
- the debt service ratio, defined as debt to operating cash flows; and
- the interest coverage ratio, defined as Adjusted EBITDA to net interest expense (interest expense incurred net of interest income earned).

Aimia uses Adjusted EBITDA and Adjusted Net Earnings as measurements to monitor operating performance. Free cash flow is used as an indicator of financial performance. These measures, as presented, are not recognized for financial statement presentation purposes under IFRS, and do not have a standardized meaning. Therefore, they are not likely to be comparable to similar measures presented by other public entities.

Aimia is subject to financial covenants pursuant to the credit facility agreements, which are measured on a quarterly basis. These include the leverage, debt service and interest coverage ratios presented above. In addition, under the terms of certain contractual obligations with a major Accumulation Partner, Aimia is required to maintain certain minimum working capital amounts in accordance with pre-established formulae. Aimia is in compliance with all such covenants.

Aimia has also established the Reserve, which at December 31, 2011 amounted to \$300.0 million and is included in short-term investments and long-term investments. The amount held in the Reserve, as well as the types of securities in which it may be invested, are based upon policies established by management. This internally imposed reserve, which was established as a matter of prudence, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity, subject to compliance with provisions of the credit facilities. To date, Aimia has not used any of the funds held in the Reserve. Management is of the opinion that the Reserve is sufficient to cover redemption costs, including redemption costs incurred in periods of unusually high redemption activity, as they become due, in the normal course of operations.

30. FINANCIAL INSTRUMENTS

Aimia's financial instruments consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, long-term investments in corporate and government bonds, investment in Cardlytics, Air Canada warrants, note receivable, accounts payable and accrued liabilities and long-term debt.

Aimia, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management is responsible for setting risk levels and reviewing risk management activities as they determine to be necessary.

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INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Aimia is exposed to fluctuations in interest rates with respect to cash and cash equivalents, restricted cash, short-term investments (excluding investments in bonds with a remaining maturity of less than twelve months), and borrowings under the terms of the outstanding credit facilities, all of which bear interest at variable rates and are held or borrowed in the form of short-term deposits, Bankers' Acceptances and prime loans.

At December 31, 2011, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
	2011	2010
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	275,593	551,162
Credit facilities	(40,000)	(100,000)

For the year ended December 31, 2011, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments and credit facilities would have an impact of approximately \$2.4 million on earnings before income taxes. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2010.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2011, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, long-term investments and note receivable.

In accordance with its investment policy, Aimia invests the Reserve and excess cash, included in short-term investments and cash and cash equivalents in commercial paper and corporate, federal and provincial government bonds with a minimum rating of R-1 (mid) or A, and bankers' acceptances or term deposits, subject to certain thresholds to reduce undue exposure to any one issuer. The credit risk on short-term investments, long-term investments and cash and cash equivalents is limited because the counterparties are banks, corporations and federal and provincial governments with high credit-ratings assigned by international credit-rating agencies. At December 31, 2011, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

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With respect to accounts receivable and the note receivable, Aimia is exposed to a concentration of credit risk on the Accumulation Partners, as identified in *Note 12*. However, any exposure associated with these customers is mitigated by the relative size and nature of business carried on by such partners. A significant portion of accounts receivable is due from banks with high credit-ratings assigned by international credit-ratings agencies. In addition, Aimia is directly affected by the financial and operational strength of Air Canada. 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 Aimia have been negligible.

LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due as well as to demonstrate compliance with liquidity covenants on the revolving facility. Aimia manages liquidity risk through financial leverage which includes monitoring of its cash balances and uses cash flows generated from operations to meet financial liability requirements. At December 31, 2011, Aimia had drawn \$40.0 million against its revolving facility, maturing on April 23, 2014, with \$260.0 million remaining authorized and available. Aimia also had issued Senior Secured Notes in the amount of \$550.0 million maturing at various dates through January 26, 2017. The revolving facility is provided by a syndicate that consists of nine institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit (*Note 20*). Aimia also had outstanding letters of credit totaling approximately \$13.8 million (of which \$13.3 million were issued against the revolving facility) at December 31, 2011 issued as security in the normal course of business.

At December 31, 2011, maturities of the financial liabilities are as follows:

	Total	2012	2013	2014	2015	2016	Thereafter
Long-term debt including interest	714,926	236,450	27,450	216,276	13,900	13,900	206,950
Accounts payable and accrued liabilities	382,130	382,130	-	-	-	-	-
Total	1,097,056	618,580	27,450	216,276	13,900	13,900	206,950

CURRENCY RISK

Aimia is exposed to currency risk on its foreign operations which are denominated in a currency other than the Canadian dollar, mainly the pound sterling, and as such, is subject to fluctuations as a result of foreign exchange rate variations.

At December 31, 2011, Aimia held net financial assets denominated in pound sterling of approximately £40.1 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of \$0.6 million in

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the net assets of Aimia and in other comprehensive income. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2010.

FINANCIAL INSTRUMENTS – CARRYING AMOUNTS AND FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts included in the consolidated statement of financial position, are as follows:

	December 31,			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables at amortized costs:				
Cash and cash equivalents, restricted cash and short-term investments (excluding current portion of investments in bonds)	245,397	245,397	551,162	551,162
Accounts receivable (excluding Air Canada Warrants)	382,495	382,495	350,594	350,594
Note receivable	61,611	61,611	57,379	57,379
Held to maturity:				
Investments in corporate bonds (including current portion)	309,933	322,462	176,922	175,737
Available-for-sale:				
Investment in Cardlytics	22,998	22,998	-	-
Fair value through profit and loss:				
Air Canada warrants	328	328	4,461	4,461
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	382,130	382,130	330,052	330,052
Long-term debt	586,678	616,421	643,903	680,495

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FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents, restricted cash, short-term investments, accounts receivable, note receivable, and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments. The fair value of the borrowings of approximately \$616.4 million is estimated as being the quoted market value for the publicly traded debt securities, while the fair value of borrowings under the revolving facility is estimated to be their drawn amount, since the borrowings bear interest at floating rates, and are typically drawn in the form of Bankers' Acceptances with a short-term maturity or prime loans.

The fair value of investments in corporate and government bonds approximates \$322.5 million and is based on the quoted market price of the investments.

Fair Value Hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The fair value of the Air Canada warrants, accounted for at fair value through profit and loss and classified as level 2, amounted to \$0.3 million as of December 31, 2011.

The investment in Cardlytics is accounted for as available-for-sale and classified as level 3. The fair value of the investment is based on the discounted cash flow analysis used to value the initial investment, adjusted to reflect changes to budgeted cash flows and key assumptions used in the analysis between the initial investment date and December 31, 2011. The key assumptions are as follows: growth rate, discount rate and terminal value multiple. Based on the results of the analysis performed at December 31, 2011, the fair value of the investment in Cardlytics was determined to approximate cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Tables in thousands of Canadian dollars, except share and per share amounts)

31. RELATED PARTIES

ULTIMATE CONTROLLING PARTY

During the year ended December 31, 2011, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

Key management includes members of the Corporation's Executive Committee.

The post-employment executive defined contribution plan requires annual contributions of 15% of base salary, through co-payment by the Corporation and the executive, up to the annual maximum permitted under relevant legislation.

Key management of Aimia participate in the share-based award plans, Long-term Incentive Plan (including stock options and performance share units) and Deferred Share Unit Plan. Directors participate in the DSU Plan.

The compensation paid or payable to directors and to key management for services is shown below:

	Year ended December 31,	
	2011	2010
Director compensation, and key management salaries and benefits	9,147	7,290
Post-employment benefits	413	361
Share-based compensation	2,569	4,870
Termination benefits	1,389	-
Total	13,518	12,521

TRANSACTIONS WITH POST-EMPLOYMENT BENEFIT PLANS

Aimia offers post-employment benefits to its former employees by way of the defined contribution and defined benefit plans. The transactions with these plans are limited to contributions and payment of benefits.

TRANSACTIONS WITH PLM

The US & APAC region recorded \$2.2 million in revenue related to consulting services rendered to PLM during the year ended December 31, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Tables in thousands of Canadian dollars, except share and per share amounts)

32. ADOPTION OF IFRS

As stated in *Note 2 Basis of Preparation*, these consolidated financial statements have been prepared in accordance with IFRS.

The accounting policies set out in *Note 2* have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010, and in the preparation of the opening IFRS balance sheet at January 1, 2010 (Aimia's date of transition), subject to the transitional exemptions and exceptions set out in IFRS 1.

In preparing its opening IFRS balance sheet, the Corporation has adjusted amounts previously reported in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected Aimia's financial position, financial performance and cash flows for the year ended December 31, 2010 is set out in the following tables and the notes that accompany the tables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Tables in thousands of Canadian dollars, except share and per share amounts)

RECONCILIATION OF EQUITY

Note ⁽¹⁾	January 1, 2010			December 31, 2010		
	Previous Canadian GAAP	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS adjustments	IFRSs
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash and cash equivalents	609,848		609,848	538,580		538,580
Restricted cash	4,216		4,216	12,582		12,582
Short-term investments	14,433		14,433	-		-
Accounts receivable	256,254		256,254	355,055		355,055
Income taxes receivable	-		-	4,960		4,960
Loan receivable from Air Canada	15,000		15,000	-		-
Inventories	16,346		16,346	17,790		17,790
Prepaid expenses	19,012		19,012	23,417		23,417
	935,109	-	935,109	952,384	-	952,384
Cash held in escrow	45,835		45,835	42,029		42,029
Loan receivable from Air Canada	135,000		135,000	-		-
Note receivable	59,179		59,179	57,379		57,379
Long-term investments	-		-	176,922		176,922
Investment in PLM	-		-	24,080		24,080
Accumulation Partners' contracts and customer relationships	1,417,998		1,417,998	1,338,421		1,338,421
Property and equipment	12,628		12,628	8,993		8,993
Software and technology	113,618		113,618	111,239		111,239
Trade names	397,087		397,087	386,948		386,948
Other intangibles	16,280		16,280	9,704		9,704
Goodwill	(b) 2,068,097	(6,500)	2,061,597	2,032,865		2,032,865
Deferred income taxes	(b)(i) 17,161	(17,161)	-	5,088	(5,088)	-
Total assets	5,217,992	(23,661)	5,194,331	5,146,052	(5,088)	5,140,964

(1) Please refer to page 76 for explanatory notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Tables in thousands of Canadian dollars, except share and per share amounts)

Note ⁽¹⁾	January 1, 2010			December 31, 2010			
	Previous Canadian GAAP	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS adjustments	IFRSs	
	\$	\$	\$	\$	\$	\$	
Liabilities and equity							
Current liabilities							
Accounts payable and accrued liabilities	(b)(e)(h)	343,852 ⁽²⁾	31,117	374,969	463,720 ⁽²⁾	(133,668)	330,052
Income taxes payable		16,613		16,613	-		-
Provisions	(h)	-		-	-	133,005	133,005
Customer deposits		56,377		56,377	46,688		46,688
Deferred revenue	(a)	1,258,672	1,019	1,259,691	1,378,580	(4,239)	1,374,341
		<u>1,675,514</u>	<u>32,136</u>	<u>1,707,650</u>	<u>1,888,988</u>	<u>(4,902)</u>	<u>1,884,086</u>
Long-term debt		780,108		780,108	643,903		643,903
Deferred income taxes	(i)	160,400	39,220	199,620	146,204	51,671	197,875
Pension and other long-term liabilities	(d)	7,082 ⁽²⁾	18,844	25,926	7,737 ⁽²⁾	19,510	27,247
Deferred revenue	(a)	677,693	71,131	748,824	677,484	75,226	752,710
Non-controlling interest	(c)	1,777	(1,777)	-	229	(229)	-
Equity							
Share capital		1,747,448		1,747,448	1,807,497		1,807,497
Retained earnings	(j)	(1,079,181)	(235,298)	(1,314,479)	(1,209,259)	(199,001)	(1,408,260)
Accumulated other comprehensive income (loss)	(f)	(46,962)	46,962	-	(83,561)	47,232	(36,329)
Contributed Surplus	(e)	1,294,113	615	1,294,728	1,266,830	2,452	1,269,282
Total equity attributable to equity holders of the corporation		<u>1,915,418</u>	<u>(187,721)</u>	<u>1,727,697</u>	<u>1,781,507</u>	<u>(149,317)</u>	<u>1,632,190</u>
Non-controlling interest	(c)	-	4,506	4,506	-	2,953	2,953
Total equity		<u>1,915,418</u>	<u>(183,215)</u>	<u>1,732,203</u>	<u>1,781,507</u>	<u>(146,364)</u>	<u>1,635,143</u>
Total liabilities and equity		<u>5,217,992</u>	<u>(23,661)</u>	<u>5,194,331</u>	<u>5,146,052</u>	<u>(5,088)</u>	<u>5,140,964</u>

(1) Please refer to page 76 for explanatory notes.

(2) Reclassified from accounts payable and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Tables in thousands of Canadian dollars, except share and per share amounts)

RECONCILIATION OF COMPREHENSIVE INCOME

Year ended December 31, 2010					
		Previous Canadian GAAP	IFRS reclassifications	IFRS adjustments	IFRSs
	Note ⁽¹⁾	\$	\$	\$	\$
Revenue	(a)	2,053,798	-	2,437	2,056,235
Cost of sales					
Cost of rewards and direct costs		1,295,282	-	-	1,295,282
Depreciation and amortization	(g)	-	32,454	-	32,454
Amortization of accumulation partners' contracts, customer relationships and technology	(g)	-	90,308	-	90,308
Gross margin		758,516	(122,762)	2,437	638,191
Operating expenses					
Selling, general and administrative expenses		572,406	(572,406)	-	-
Selling and marketing expenses	(d)	-	432,925	(858)	432,067
General and administrative expenses	(e)	-	139,481	(28,955)	110,526
Depreciation and amortization		32,454	(32,454)	-	-
Amortization of accumulation partners' contracts, customer relationships and technology		90,308	(90,308)	-	-
		695,168	(122,762)	(29,813)	542,593
Operating income		63,348	-	32,250	95,598
Finance income	(g)	-	24,171	-	24,171
Finance expenses	(b) (g)	-	(64,663)	(318)	(64,981)
Interest on long-term debt	(g)	(56,095)	56,095	-	-
Other interest expense	(g)	(8,568)	8,568	-	-
Interest income	(g)	24,171	(24,171)	-	-
Net financing costs		(40,492)	-	(318)	(40,810)
Earnings before income tax		22,856	-	31,932	54,788
Income tax expense	(i)	(52,017)	-	5,507	(46,510)
Non-controlling interest		6,660	(6,660)	-	-
Net earnings (loss) for the year		(22,501)	(6,660)	37,439	8,278
Other comprehensive income (loss)					
Foreign currency translation adjustments on consolidation of foreign subsidiaries	(f)	(36,599)	-	290	(36,309)
Employee future benefits adjustments	(d)	-	-	(1,127)	(1,127)
Other comprehensive income (loss) for the year		(36,599)	-	(837)	(37,436)
Total comprehensive income (loss) for the year		(59,100)	(6,660)	36,602	(29,158)
Net earnings (loss) attributable to:					
Equity holders of the Corporation		(22,501)	-	37,424	14,923
Non-controlling interest	(c)	-	(6,660)	15	(6,645)
Net earnings (loss) for the year		(22,501)	(6,660)	37,439	8,278
Comprehensive income (loss) attributable to:					
Equity holders of the Corporation		(59,100)	-	36,567	(22,533)
Non-controlling interest	(c)	-	(6,660)	35	(6,625)
Comprehensive income (loss) for the year		(59,100)	(6,660)	36,602	(29,158)
Earnings (loss) per share - Basic and fully diluted		(0.17)	0.00	0.19	0.02

(1) Please refer to page 76 for explanatory notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2011

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MATERIAL ADJUSTMENTS TO THE STATEMENT OF CASH FLOWS FOR 2010

Interest paid and received and income taxes paid have been included in the body of the Statement of Cash Flows, within operating activities, whereas under previous Canadian GAAP, they were disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

INDEX TO NOTES TO THE RECONCILIATIONS

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NOTES TO THE RECONCILIATIONS

(a) Revenue Recognition

Under IFRS, Aimia defers the gross billings received from the sale of Loyalty Units under the Corporation's loyalty programs and recognizes revenue as the Loyalty Units are redeemed by members. The amount of revenue recognized is based on the number of Loyalty Units redeemed in a period in relation to the total number expected to be redeemed, which factors in the Corporation's estimate for Breakage. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices. Under previous Canadian GAAP, the gross billings were deferred and recognized as revenue either upon redemption of Loyalty Units by members or in accordance with the accounting policy for Breakage. Breakage was recognized ratably over the estimated average life of a mile or points issued, which was determined in a rational and systematic manner.

As a result, the Corporation adjusted its revenue recognition to reflect this difference. This increased deferred revenue and reduced retained earnings by \$72.2 million at the date of transition, and increased revenue by \$2.4 million for the year ended December 31, 2010.

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(b) Business Combinations

Aimia elected not to apply IFRS retrospectively to business combinations that occurred prior to the date of transition, January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment. Although the Corporation applied the IFRS 1 elective exemption not to restate prior business acquisitions, there is no exemption from recognizing the unresolved contingent consideration related to the 2007 LMG acquisition at fair value at the transition date, with a corresponding debit to retained earnings. Under IFRS, unlike previous Canadian GAAP, contingent considerations are not recognized as an increase to goodwill on resolution of the contingency but are recorded at fair value in the purchase price allocation. Under IFRS, subsequent remeasurements of the fair value at each balance sheet date until resolution of the contingency are recognized in the statement of operations.

The fair value of the contingent consideration of \$31.1 million (£18.8 million) was determined using the expected cash flow approach based on a probability weighted expected contingent consideration and a discount rate of 1.34% when initially recognized on transition to IFRS (Note 5) as an adjustment to retained earnings. Accretion expense was also recorded on the contingent consideration in each respective period. The fair value of the contingent consideration, including accumulated accretion expense, amounting to \$30.1 million (£19.0 million) was reversed against general and administrative expenses during the third quarter of 2010, following the adverse ruling by the ECJ (Note 19).

On November 3, 2009, Aimia entered into an agreement, which closed on December 7, 2009, to acquire 100% of the Carlson Marketing business, an international provider of proprietary loyalty services. At the time of the acquisition transaction, a preliminary estimate of the purchase price allocation was performed. The final allocation was completed during the first quarter of 2010. There were no adjustments to the initial purchase price allocation as reported at December 31, 2009, other than the recognition of a \$6.5 million deferred tax asset, with the corresponding adjustment reducing goodwill, representing the accurate assessment of assets and liabilities acquired and their carrying value at the date of transaction. Consequently, the above adjustment was reflected in the transition balance sheet at January 1, 2010.

In addition, and as a condition under IFRS 1 for applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were identified. No impairment existed at the date of transition.

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(c) Non-Controlling Interest Reclassification

Under IFRS, non-controlling interest of \$(6.6) million in the consolidated statement of operations for the year ended December 31, 2010, is presented as an allocation of the net earnings for the period, and non-controlling interest of \$(6.6) million for the same period, is presented as an allocation of comprehensive income. Non-controlling interest of \$4.5 million at January 1, 2010, and \$3.0 million at December 31, 2010 in the consolidated balance sheet and statement of changes in equity are classified as equity but are presented separately from equity attributable to equity holders of the Corporation.

Under previous Canadian GAAP, non-controlling interest in the consolidated earnings were presented as an expense in arriving at consolidated net earnings in the statement of operations. Additionally, foreign currency translation adjustments included in consolidated other comprehensive income were presented net of the related non-controlling interest in the statement of comprehensive income. Non-controlling interest in the balance sheet were previously classified between total liabilities and equity.

(d) Employee Future Benefits

Under IFRS, Aimia's accounting policy is to recognize actuarial gains and losses related to the defined benefit plan and post-retirement benefits immediately in other comprehensive income. Actuarial gains and losses related to other future post-employment benefits are recognized immediately as an expense. At the date of transition, the full amount of the previously unrecognized actuarial loss balance of \$0.7 million under previous Canadian GAAP was recognized in retained earnings, thereby increasing the accrued benefit liability.

In accordance with IFRS, liabilities and expenses for vested past service costs under a defined benefit plan are recognized immediately in the statement of operations. The vested past service costs attributable to Aeroplan's contact centre agents defined benefit plans and other post-employment benefit plans were recognized over the expected average remaining service period in accordance with previous Canadian GAAP. As a result of this difference, the unamortized vested past service cost of \$15.9 million, accumulated at the transition date under previous Canadian GAAP was charged to retained earnings on transition, resulting in an increase in the accrued benefit liability.

In addition, under IFRS, a liability is recognized for minimum funding requirement contributions if the contribution payable is not expected to be available as a refund or a future contribution reduction after it is paid into the Plan. As such, in accordance with IFRIC 1 and IFRIC 14, at the date of transition, a liability of \$2.3 million was recognized on the balance sheet with a corresponding adjustment to retained earnings in relation to the minimum funding requirement.

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The effect of the changes described above is a decrease in selling and marketing expenses and accrued benefit liability of \$0.9 million for the year ended December 31, 2010.

Aimia elected to prevail itself of the exemption not to provide additional disclosures regarding employee benefits, including certain information in respect of defined benefit plans for the period prior to its date of transition.

(e) *Share-Based Payments*

Under IFRS Aimia accrues the cost of employee stock options and performance share units over the vesting period using the graded method of amortization rather than the straight-line method, which was the Corporation's policy under previous Canadian GAAP. Furthermore, in accordance with IFRS, an estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate, whereas under previous Canadian GAAP forfeitures of awards were recognized as they occurred. As a result, the Corporation adjusted its expense to reflect this difference. The effect of the change in the case of stock options is an increase to contributed surplus and a reduction of retained earnings of \$0.6 million at the date of transition and an increase in general and administrative expenses of \$1.8 million for the year ended December 31, 2010.

The effect of the change for PSUs is a reduction in accrued liabilities and increase in retained earnings of \$13,000 at the date of transition and a reduction in accrued liabilities and a decrease to general and administrative expenses of \$0.7 million for the year ended December 31, 2010.

(f) *Foreign Currency Translation*

In accordance with IFRS 1, Aimia has elected to eliminate all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations amounting to \$47.0 million at the date of transition under previous Canadian GAAP with a corresponding decrease to retained earnings. The effect of foreign exchange on the transitional IFRS adjustments resulted in foreign currency translation adjustments on consolidation of foreign subsidiaries recorded in other comprehensive income of \$0.3 million for the year ended December 31, 2010.

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(g) Reclassification Within Statement Operations

Aimia reclassified depreciation and amortization and amortization of accumulated partners' contracts, customer relationships and technology shown separately as operating expenses under previous Canadian GAAP to cost of sales.

Aimia presents finance income and expense separately on the Consolidated statement of operations under IFRS. Interest on long-term debt, other interest expense and interest income which were presented separately on the statement of operations under previous Canadian GAAP, have been reclassified within the financial income and expense line items as appropriate.

(h) Provisions

Aimia reclassified amounts previously recorded in accounts payable and liabilities related to the VAT Litigation (Note 19) as a provision, given that it has been determined to be a liability of uncertain timing or amount.

(i) Income Tax

Under Canadian GAAP, future income taxes are calculated on temporary differences. These are differences between the tax base of an asset or liability and its carrying amount for accounting purposes.

Under IFRS, the definition of a temporary difference is generally consistent with Canadian GAAP, but some differences exist. More specifically, under Canadian GAAP, if the tax basis of an asset is different depending on whether it is used or sold by the Corporation, the higher of the two values becomes the tax basis. Under IFRS, the tax basis will depend on the expected manner of recovery. Accordingly, the tax basis of an asset may be different under IFRS.

Certain of Aimia's intangible assets are subject to this difference in tax basis, resulting in the recognition of an additional deferred tax liability of \$89.7 million at the transition date.

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The changes discussed in this section and previous notes decreased (increased) the net deferred tax liability as follows:

	Note	January 1, 2010	December 31, 2010
Revenue recognition	(a)	21,851	24,209
Business combinations	(b)	6,500	-
Employee future benefits	(d)	4,926	5,100
Deferred income taxes		(89,658)	(86,068)
Increase in deferred tax liability		(56,381)	(56,759)

The effect on the statement of operations for the year ended December 31, 2010 was to decrease the previously reported tax expense for the period by \$5.5 million.

(j) Retained Earnings

The above changes have increased (decreased) retained earnings as follows:

	Note	January 1, 2010	December 31, 2010
Revenue recognition	(a)	(72,150)	(70,987)
Business combinations	(b)	(31,130)	-
Post-employment employee benefits	(d)	(18,844)	(19,510)
Share-based payments	(e)	(602)	(1,789)
Foreign currency translation	(f)	(46,962)	(47,232)
Income taxes	(i)	(62,881)	(56,759)
Non-controlling interest	(c)	(2,729)	(2,724)
Decrease in retained earnings		(235,298)	(199,001)