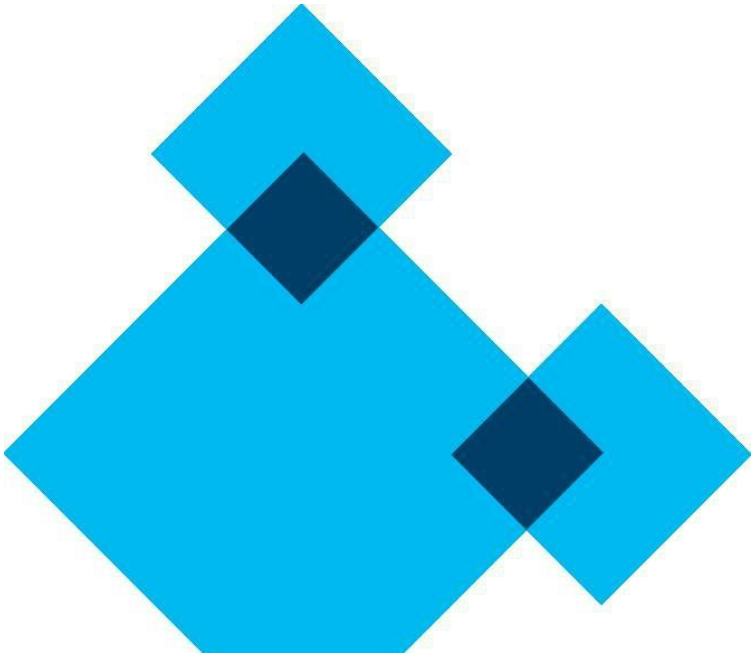
AIMIA
INSPIRING LOYALTY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015



AIMIA
INSPIRING LOYALTY

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Aimia Inc. 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 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 judgment.

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 16, 2017

(signed) "David Johnston"

DAVID JOHNSTON
Interim Group Chief Executive

(signed) "Tor Lønnum"

TOR LØNNUM
Chief Financial Officer

February 16, 2017

Independent Auditor's Report

To the Shareholders of Aimia Inc.

We have audited the accompanying consolidated financial statements of Aimia Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of operations, comprehensive income, changes in equity and cash flow for the years then ended, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 Aimia Inc. and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A123498

AIMIA

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions of Canadian dollars, except share and per share amounts)		Years Ended December 31, 2016	2015
Revenue	Notes 3 & 16	**$ 2,288.1**	$ 2,460.6
Cost of sales			
Cost of rewards and direct costs	Note 4	**1,466.1**	1,601.9
Depreciation and amortization	Note 14	**57.4**	57.1
Amortization of accumulation partners' contracts, customer relationships and technology	Note 14	**125.7**	137.3
		1,649.2	1,796.3
Gross margin		**638.9**	664.3
Operating expenses			
Selling and marketing expenses		**445.7**	472.4
General and administrative expenses	Notes 15A & 17	**213.6**	179.6
Impairment charges	Notes 14 & 30A	**66.0**	13.5
		725.3	665.5
Operating loss		**(86.4)**	(1.2)
Gain on disposal of businesses and other assets	Note 5	**25.1**	—
Financial income	Notes 4 & 6	**11.9**	40.2
Financial expenses	Note 6	**(44.0)**	(41.5)
Net financial expenses	Note 6	**(32.1)**	(1.3)
Share of net earnings of equity-accounted investments	Note 11	**15.2**	11.6
Earnings (loss) before income taxes		**(78.2)**	9.1
Income tax (expense) recovery			
Current	Note 21	**36.0**	(15.4)
Deferred	Notes 4 & 21	**(22.4)**	11.5
		13.6	(3.9)
Net earnings (loss) for the year		**$ (64.6)**	$ 5.2
Net earnings (loss) attributable to:			
Equity holders of the Corporation		**(66.3)**	0.1
Non-controlling interests	Note 25	**1.7**	5.1
Net earnings (loss) for the year		**$ (64.6)**	$ 5.2
Weighted average number of shares		**152,404,849**	162,678,128
Earnings (loss) per common share			
Basic and fully diluted	Note 7	**$ (0.55)**	$ (0.11)

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

AIMIA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)		Years Ended December 31, 2016	2015
Net earnings (loss) for the year		**$ (64.6)**	$ 5.2
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings (loss)			
Foreign currency translation adjustments		**(89.7)**	94.1
Change in fair value of available-for-sale investments, net of tax	Notes 28 & 30C	**(46.6)**	0.7
Reclassification to net earnings of gain on sale of available-for-sale investments, net of tax	Notes 4 & 30C	**—**	(18.6)
Items that will not be reclassified subsequently to net earnings (loss)			
Defined benefit plans actuarial gains (losses), net of tax	Notes 20 & 30C	**2.4**	—
Other comprehensive income (loss) for the year		**(133.9)**	76.2
Comprehensive income (loss) for the year		**$ (198.5)**	$ 81.4
Comprehensive income (loss) attributable to:			
Equity holders of the Corporation		**(200.1)**	76.3
Non-controlling interests		**1.6**	5.1
Comprehensive income (loss) for the year		**$ (198.5)**	$ 81.4

AIMIA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *(in millions of Canadian dollars)*		December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	Note 2	**$ 293.0**	$ 482.2
Restricted cash	Note 2	**20.3**	19.2
Short-term investments	Notes 2 & 12	**80.4**	54.6
Income taxes receivable	Note 21	**0.8**	3.9
Accounts receivable	Note 8	**286.7**	469.8
Inventories	Note 2	**4.8**	10.6
Prepaid expenses		**33.1**	73.6
Assets held for sale	Note 30A	**72.8**	—
		791.9	1,113.9
Long-term assets			
Long-term investments	Notes 2, 4, 10 & 12	**342.1**	381.8
Equity-accounted investments	Note 11	**103.8**	117.8
Property and equipment	Notes 13 & 14	**30.5**	43.7
Intangible assets	Note 14	**1,264.0**	1,486.8
Goodwill	Note 14	**1,975.7**	2,080.7
		$ 4,508.0	$ 5,224.7
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	Note 15	**$ 395.6**	$ 547.3
Provisions	Note 17	**1.1**	0.6
Customer deposits		**18.2**	88.0
Deferred revenue	Note 16	**1,492.7**	1,597.5
Liabilities held for sale	Note 30A	**108.3**	—
		2,015.9	2,233.4
Long-term liabilities			
Provisions	Note 17	**4.3**	5.4
Long-term debt	Note 18	**448.3**	647.3
Pension and other long-term liabilities	Notes 19 & 20	**73.1**	64.2
Deferred income taxes	Note 21	**97.8**	75.1
Deferred revenue	Note 16	**1,753.1**	1,694.9
		4,392.5	4,720.3
Total equity attributable to equity holders of the Corporation	Note 24	**115.5**	494.7
Non-controlling interests	Note 25	**—**	9.7
Total equity		**115.5**	504.4
		$ 4,508.0	$ 5,224.7
Contingencies and commitments	Notes 22 & 26		

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 consolidated financial statements.

AIMIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2015 and 2016		Common shares outstanding	Share capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss) *(Note 30D)*	Contributed surplus	Total attributable to the equity holders of the corporation	Non-controlling interests	Total equity
(In millions of Canadian dollars, except share amounts)									
Balance, December 31, 2014		171,984,343	$ 1,837.6	$ (2,379.2)	$ 100.5	$ 1,213.1	$ 772.0	$ 6.7	$ 778.7
Total comprehensive income (loss) for the year									
Net earnings for the year				0.1			0.1	5.1	5.2
Other comprehensive income (loss):									
Foreign currency translation adjustments					94.1		94.1	—	94.1
Change in fair value of available-for-sale investments, net of tax	Notes 28 & 30C				0.7		0.7		0.7
Reclassification to net earnings of gain on sale of available-for-sale investments, net of tax	Notes 4 & 30C				(18.6)		(18.6)		(18.6)
Defined benefit plans actuarial gains, net of tax	Notes 20 & 30C			—			—		—
Total comprehensive income for the year		—	—	0.1	76.2	—	76.3	5.1	81.4
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options		255,863	3.9			(0.8)	3.1		3.1
Common shares repurchased	Note 24	(17,608,452)	(155.9)			(67.4)	(223.3)		(223.3)
Quarterly dividends, common and preferred	Note 23			(138.9)			(138.9)		(138.9)
Dividends to non-controlling interests							—	(2.1)	(2.1)
Accretion related to stock-based compensation plans						5.5	5.5		5.5
Total contributions by and distributions to owners		(17,352,589)	(152.0)	(138.9)	—	(62.7)	(353.6)	(2.1)	(355.7)
Balance, December 31, 2015		**154,631,754**	**$ 1,685.6**	**$ (2,518.0)**	**$ 176.7**	**$ 1,150.4**	**$ 494.7**	**$ 9.7**	**$ 504.4**
Total comprehensive income (loss) for the year									
Net earnings (loss) for the year				**(66.3)**			**(66.3)**	**1.7**	**(64.6)**
Other comprehensive income (loss):									
Foreign currency translation adjustments					**(89.6)**		**(89.6)**	**(0.1)**	**(89.7)**
Change in fair value of available-for-sale investments, net of tax	Notes 28 & 30C				**(46.6)**		**(46.6)**		**(46.6)**
Defined benefit plans actuarial gains, net of tax	Notes 20 & 30C			**2.4**			**2.4**		**2.4**
Total comprehensive income (loss) for the year		**—**	**—**	**(63.9)**	**(136.2)**	**—**	**(200.1)**	**1.6**	**(198.5)**
Transactions with owners, recorded directly in equity									
Common shares issued upon exercise of stock options		**56,457**	**0.6**			**(0.1)**	**0.5**		**0.5**
Common shares repurchased	Note 24	**(2,393,600)**	**(21.2)**			**(0.6)**	**(21.8)**		**(21.8)**
Quarterly dividends, common and preferred	Note 23			**(137.2)**			**(137.2)**		**(137.2)**
Acquisition of non-controlling interest	Note 25			**(24.1)**			**(24.1)**	**(11.3)**	**(35.4)**
Accretion related to stock-based compensation plans						**3.5**	**3.5**		**3.5**
Total contributions by and distributions to owners		**(2,337,143)**	**(20.6)**	**(161.3)**	**—**	**2.8**	**(179.1)**	**(11.3)**	**(190.4)**
Balance, December 31, 2016		**152,294,611**	**$ 1,665.0**	**$ (2,743.2)**	**$ 40.5**	**$ 1,153.2**	**$ 115.5**	**$ —**	**$ 115.5**

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

AIMIA

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)		Years Ended December 31, 2016	2015
CASH FLOWS FROM (USED IN)			
Operating activities			
Net earnings (loss) for the year		**$ (64.6)**	$ 5.2
Adjustments for:			
Depreciation and amortization		**183.1**	194.4
Share-based compensation		**9.6**	6.0
Share of net earnings of equity-accounted investments		**(15.2)**	(11.6)
Net financial expenses		**32.1**	1.3
Income tax (recovery) expense		**(13.6)**	3.9
Impairment charges		**66.0**	13.5
Gain on disposal of businesses and other assets		**(25.1)**	—
Changes in operating assets and liabilities	Note 30B	**99.6**	54.0
Other		**(5.3)**	(3.5)
		331.2	258.0
Cash generated from operating activities		**266.6**	263.2
Interest received		**14.4**	14.5
Distributions received from equity-accounted investments	Note 11	**24.8**	32.7
Interest paid		**(44.8)**	(38.9)
Income taxes received, net		**40.8**	24.4
Net cash from operating activities		**301.8**	295.9
Investing activities			
Disposal of businesses and other assets	Note 5	**10.0**	—
Contingent consideration	Note 28	**(1.9)**	(1.8)
Cash held in escrow	Note 9	**—**	1.4
Investments in equity-accounted investments	Note 11	**—**	(5.8)
Proceeds from short-term investments		**54.4**	51.1
Purchases of long-term investments		**(61.0)**	(53.1)
Proceeds from the sale of long-term investments	Note 4	**—**	30.5
Additions to property, equipment, software and technology	Note 3	**(68.2)**	(93.6)
Net cash used in investing activities		**(66.7)**	(71.3)
Financing activities			
Quarterly dividends	Note 23	**(137.2)**	(138.9)
Dividends paid to non-controlling interests		**—**	(2.1)
Acquisition of non-controlling interest	Note 25	**(22.0)**	—
Issuance of common shares	Note 24	**0.5**	3.1
Repurchase of common shares	Note 24	**(24.5)**	(222.1)
Repayment of long-term debt	Note 18	**(200.0)**	—
Net cash used in financing activities		**(383.2)**	(360.0)
Net change in cash and cash equivalents		**(148.1)**	(135.4)
Translation adjustment related to cash		**(41.1)**	50.0
Cash and cash equivalents, beginning of year		**482.2**	567.6
Cash and cash equivalents, end of year		**$ 293.0**	$ 482.2

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

THESE FINANCIAL STATEMENTS CONTAIN THE FOLLOWING NOTES:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. STRUCTURE OF THE CORPORATION

Aimia Inc. ("Aimia" or the "Corporation") was incorporated on May 5, 2008 under the *Canada Business Corporations Act*. The registered and head office of Aimia is located at 525 Viger Avenue West, Suite 1000, Montreal, Quebec, Canada, H2Z 0B2.

Aimia, a data-driven marketing and loyalty analytics company, through its subsidiaries, operates in the following business segments as of January 1, 2016: Americas Coalitions, International Coalitions and Global Loyalty Solutions ("GLS") (*Note 3*).

Americas Coalitions

Within the Americas Coalitions segment, Aimia owns and operates the Aeroplan Program, a premier coalition loyalty program in Canada, and the Corporation's Canadian non-platform based loyalty services business.

International Coalitions

Within the International Coalitions segment, Aimia owns and operates the Nectar UK and Air Miles Middle East coalition loyalty programs (*Note 25*). The segment also includes the Corporation's Shopper Insights and Communications business, which provides data-driven analytics and insights services to retailers and their suppliers globally through its Intelligent Shopper Solutions business and its 50% participation in i2c, a joint venture with Sainsbury's. Aimia also operated Nectar Italia, an Italian coalition program which ceased its operations on March 1, 2016, and owns a 25% interest in Travel Club, a coalition loyalty program in Spain.

Global Loyalty Solutions

Within this segment, Aimia provides clients with comprehensive end-to-end loyalty solutions across the globe with operations in Americas, Europe and Asia Pacific. GLS provides clients with loyalty strategy, program design, implementation, campaign, analytics and rewards fulfillment. GLS also deploys Aimia's loyalty platforms including the Aimia Loyalty Platform - Enterprise (formerly known as the Aimia Loyalty Platform) and Aimia Loyalty Platform - SAAS (formerly known as the Smart Button platform) as part of its loyalty solutions.

Corporate and Other

Corporate includes global shared services, product development costs and share-based compensation that have not been allocated to the operating segments as well as investments. Corporate investments include a 48.9% interest in, and joint control with Grupo Aeromexico of, PLM, the owner and operator of Club Premier, a Mexican coalition loyalty program. Additionally, Corporate includes investments in Think Big, the owner and operator of BIG, AirAsia and Tune Group's loyalty program, and China Rewards (*Note 11*), as well as a minority interest in Cardlytics, a US-based private company operating in card-linked marketing for electronic banking.

In addition, the Enhancement Services ("ES") business, which was sold on July 29, 2016 (*Note 5*), and the U.S. Channel and Employee Loyalty ("CEL") business (*Note 30A & 31*) are reported under Corporate and Other.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on February 16, 2017.

(b) Basis of Measurement

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

- Investments in equity instruments are measured at fair value (*Notes 10 & 28*);
- Liabilities for cash-settled share-based payment arrangements are measured at fair value (*Notes 15 & 19*);
- 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 (*Notes 19 & 20*);
- Contingent considerations related to business acquisitions or disposals are measured at fair value (*Notes 25 & 28*);
- Investments in convertible notes are measured at fair value (*Notes 10 & 28*).

(c) Functional and Presentation Currency

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

(d) 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.

Information about critical judgments 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)*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 16)*;
- Income Taxes *(Notes 2 and 21)*;
- Impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital *(Notes 2 and 14)*;
- Provisions *(Note 17)*;
- Contingent Liabilities *(Note 22)*
- Fair value of investment in equity instruments (*Note 28*).

PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Corporation had the following significant operating subsidiaries at December 31, 2016:

Name	Nature of business	Reporting segment	Country of incorporation and place of business	Proportion of ownership held directly by Aimia Inc. (%)	Proportion of ownership by the group (%)
Aimia Canada Inc.	Coalition Loyalty	Americas Coalitions	Canada	100	
Aimia Proprietary Loyalty Canada Inc.	Loyalty Solutions	Americas Coalitions / Corporate and Other	Canada		100
Aimia Coalition Loyalty UK Limited	Coalition Loyalty	International Coalitions	United Kingdom		100
Nectar Italia S.r.l. (“Nectar Italia”)	Coalition Loyalty	International Coalitions	Italy		100
Aimia Middle East Free Zone LLC (*Note 25*)	Coalition Loyalty	International Coalitions	United Arab Emirates		100
Aimia Loyalty Analytics UK Limited	Analytics and Insights	International Coalitions	United Kingdom		100
Aimia Proprietary Loyalty U.K. Limited	Loyalty Solutions	GLS	United Kingdom		100
Aimia Proprietary Loyalty U.S. Inc.	Loyalty Solutions	GLS / Corporate and Other	United States		100
Smart Button Associates Inc. (“Smart Button”)	Loyalty Solutions	GLS	United States		100
Aimia Proprietary Loyalty Australia Pty Ltd.	Loyalty Solutions	GLS	Australia		100
Aimia Proprietary Loyalty Singapore Pte Ltd.	Loyalty Solutions	GLS	Singapore		100
Aimia Proprietary Loyalty (NZ) Limited	Loyalty Solutions	GLS	New Zealand		100
Aimia Proprietary Loyalty (HK) Limited	Loyalty Solutions	GLS	Hong Kong		100
Aimia Proprietary Loyalty Sendirian Berhad	Loyalty Solutions	GLS	Malaysia		100

Investments in Associates and Joint Arrangements (Note 11)

Associates are entities over which the Corporation has significant influence. Joint arrangements are entities over which the Corporation has joint control and are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Corporation's investment includes goodwill identified on acquisition. 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 or significant influence commences until the date that joint control or significant influence 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

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

The Corporation had the following significant investments in joint arrangements at December 31, 2016:

Name	Nature of business	Nature of investment	Reporting segment	Country of incorporation and place of business	% of ownership interest	Measurement method
PLM Premier, S.A.P.I. de C.V. (“PLM”)	Coalition Loyalty	Joint venture	Corporate and Other	Mexico	48.9	Equity
Insight 2 Communication LLP (“i2c”)	Analytics and Insights	Joint venture	International Coalitions	United Kingdom	50.0	Equity
Think Big Digital Sdn Bhd (“Think Big”)	Coalition Loyalty	Joint venture	Corporate and Other	Malaysia	20.0	Equity

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' future 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 several programs it operates on a regular basis.

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, 2016 is 12% (December 31, 2015: 12%), 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 2016.

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 loyalty service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. These 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, 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 in accordance with the substance of the agreements in the case of royalties. Other revenue also includes analytics and insights service fees from 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 analytics and insights 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 loyalty and analytics and insights services and include reward fulfillment, technology, commissions and in certain cases labour.

EMPLOYEE FUTURE BENEFITS

Defined Benefit Plan for Aeroplan 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 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 plan, 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. 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.

Past-service costs are recognized immediately in earnings.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions attributable to the defined benefit plan, post-retirement benefits, and adjustments resulting from minimum funding requirements, are recognized immediately in other comprehensive income, and reported in retained earnings. Actuarial gains and losses arising from other future post-employment benefits are recognized immediately in earnings.

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Defined Contribution

Substantially all Aimia employees, excluding the Aeroplan 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 at the earlier of the following dates: (a) when the Corporation can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 - *Provisions, contingent liabilities and contingent assets,* and involves the payment of termination benefits.

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.

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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.

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 $1.2 million as a reduction of selling and marketing expenses for the year ended December 31, 2016 (2015: $0.7 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.

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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.

FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Aimia has classified its financial instruments as follows:

	Classification				
Financial instrument	Fair value through profit and loss	Loans and receivables	Available-for-sale	Held-to-maturity	Other financial liabilities
Measured at amortized cost					
Cash and cash equivalents, restricted cash, short-term investments		X			
Accounts receivable		X			
Long-term investments in corporate and government bonds				X	
Accounts payable and accrued liabilities					X
Long-term debt					X
Measured at fair value					
Investments in equity instruments [(a)]			X		
Investments in convertible notes	X				
Contingent consideration payable	X				

(a) These investments are not subject to significant influence.

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.

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. Under Aimia's practices, derivative financial instruments are used only for risk management purposes and are not entered into for speculative purposes. 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 and amortized in non-operating income (expense).

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.

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 judgment 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.

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Financial Income and Expenses

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

Financial income and expenses also include gains or losses realized on the sale of available-for-sale investments.

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 23 and 24*), 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, 2016 was 0.01% (2015: 0.17%). At December 31, 2016 and 2015, cash and cash equivalents consisted of funds in current operating bank accounts.

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.

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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, 2016 was 3.3% (2015: 2.9%).

LONG-TERM INVESTMENTS

Long-term investments include investments in corporate and government bonds which consist of fixed income securities quoted in an active market with an original and remaining term to maturity of more than one year. These bonds have a remaining term to maturity varying between 1.3 years and 4.7 years and yield an effective interest rate of 2.2% at December 31, 2016 (2015: 2.7%).

Long-term investments also include investments in equity instruments and convertible notes (*Note 10*).

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, 2016, cost of rewards and direct costs included cost of merchandise of $225.6 million (2015: $241.3 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 to 5 years
Leasehold improvements	Over the lesser of the term of the lease or 15 years

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 9.6 years as at December 31, 2016. The amortization period reflects contract terms and renewals.

Other intangibles, which include non-competition restrictions agreed to by the vendors, pursuant to certain acquisition agreements, 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.

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

- the expected usage of the asset 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;
- 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 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.

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.

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 at 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 of disposal. 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 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 not beyond the highest of:

- the fair value less costs of disposal; 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.

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PROVISIONS

The amount recognized as a provision is 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.

STOCK-BASED COMPENSATION PLANS

Deferred Share Unit Plan

The Deferred Share Unit Plan (the “DSU Plan”) was established as a means of compensating directors and designated employees of Aimia and of promoting share ownership and alignment with the shareholders' interests. 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 or immediately, 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.

DSU are considered cash-settled awards. 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 “LTIP”) 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. Stock options and/or performance share units (“PSUs”) may be granted to eligible employees. These grants are established annually on the basis of qualitative and quantitative criteria. All awards 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. The maximum number of shares reserved and available for grant and issuance under the LTIP is limited to 16,381,000 common shares. Annual grants of PSUs are now made under the Share Unit Plan (as described thereafter) following its adoption by the Board of Directors on February 26, 2015.

The vesting conditions of options and PSUs issued 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.

Stock options are considered equity-settled awards. 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 cumulative expense for stock options at each reporting date represents the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. For options with graded vesting, each tranche is considered a separate grant with a different vesting date and fair value, and each tranche is accounted for separately.

PSUs are considered cash-settled awards as they have historically been settled in cash. The fair value of PSUs, at the date of grant to PSU 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. The fair value of employee services received is calculated by multiplying the number of units expected to vest with the fair value of one unit as of grant date based on the market price of the Corporation's common shares. In addition, PSUs are fair valued at the end of every reporting period.

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.

Share Unit Plan

The Aimia Share Unit Plan (the "SUP") was established for the grant of PSUs and Restricted Share Units ("RSUs") to officers, senior executives and other employees of Aimia and its subsidiaries. These grants are established annually on the basis of qualitative and quantitative criteria. All awards 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. Dividends in the form of additional PSUs/RSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on Aimia common shares.

PSUs/RSUs are considered cash-settled awards as they have historically been settled in cash. The fair value of PSUs/RSUs, at the date of grant to 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. The fair value of employee services received is calculated by multiplying the number of units expected to vest with the fair value of one unit as of grant date based on the market price of the Corporation's common shares. In addition, PSUs and RSUs are fair valued at the end of every reporting period.

EARNINGS PER COMMON SHARE

Earnings per common share are calculated by dividing the earnings attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding for the period.

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.

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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 Group Chief Executive and Group Chief Operating Officer to make decisions about the allocation of resources to the respective segments and assess their individual performance (*Note 3*).

Segment results that are reported to the Group Chief Executive and Group Chief Operating Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Management of global shared services, global product development cost and share-based compensation is centralized and, consequently, these expenses are not allocated to the operating segments and are reported under Corporate and Other, along with the operating results and the financial position of the U.S. Channel and Employee Loyalty business and the ES business.

CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the following revised standards as detailed below:

IFRS 5 Amendment, Change in Methods of Disposal

IFRS 5 - *Non-Current Assets Held for Sale and Discontinued Operations* was amended to clarify that a change in disposal method should not be considered to be a new plan of disposal but a continuation of the original plan. There is therefore no interruption of the application of the requirements in this standard. The amendment also clarifies that changing the disposal method does not change the date of classification. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

IAS 19 Amendment, Discount Rate: Regional Market Issue

IAS 19 - *Employee Benefits* was amended to clarify that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated rather than where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

IAS 1 Amendments, Disclosure Initiative

IAS 1 - *Presentation of Financial Statements* was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Corporation determined that the adoption of the amended standard had no impact on its consolidated financial statements.

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FUTURE ACCOUNTING CHANGES

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

IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9 - *Financial Instruments*. 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 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.

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments*. The new standard will replace IAS 39 - *Financial Instruments: Recognition and Measurement*. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exception. Early application is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required. At this time, the Corporation is still evaluating the impact of these changes but does not anticipate that they will have a significant impact, if any, on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - *Revenue*, and related interpretations such as IFRIC 13 - *Customer Loyalty Programmes*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

In April 2016, the IASB issued amendments to IFRS 15 - *Revenue from Contracts with Customers* to clarify the guidance on identifying performance obligations, licenses of intellectual property and principal versus agent considerations. The amendments also provide additional practical expedients on transition. The amendments are effective for annual reporting periods beginning on or after January 1, 2018, being the same effective date as IFRS 15 itself.

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At this time, management is performing a detailed impact assessment that this standard and its amendments will have on its consolidated financial statements. Preliminary key differences between IFRS 15 and IAS 18 and areas of focus that could materially affect our consolidated financial statements have been identified, including (but not limited to):

- Whether the sale of a loyalty unit includes one or multiple performance obligations and the implications on the transaction price allocation;
- Whether Aimia acts as the principal or an agent for the respective loyalty programs that the Corporation is currently managing.

Our operations and associated systems are complex, as such, the accounting for millions of loyalty units issued and redeemed could be affected. Our current estimate of the time and effort necessary to develop and implement the accounting policies, estimates, judgments and processes (including incremental requirements of our information technology systems) we will need to have in place in order to comply with the new standard extends into late-2017. As a result, at this time, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

IFRS 16 Leases

The IASB issued IFRS 16 - *Leases*, superseding IAS 17 - *Leases* and related interpretations. IFRS 16 is a significant change from current IFRS, which will require lessees to recognise assets and liabilities for most leases using a single accounting model for all leases, with certain exemptions. For lessors, the accounting is substantially unchanged. The new standard will be effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with IFRS 15 - *Revenue from Contracts with Customers*. At this time, management is reviewing the impact that this standard will have on its consolidated financial statements.

IAS 7 Amendments, Disclosures related to financing activities

The IASB issued amendments to IAS 7 - *Statement of Cash Flows* to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective for years beginning on or after January 1, 2017. At this time, the Corporation anticipates to include additional disclosure in its 2017 annual consolidated financial statements.

IAS 12 Amendments, Recognition of Deferred Tax Assets for Unrealised Losses

The IASB issued amendments to IAS 12 - *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The amendment is effective for years beginning on or after January 1, 2017. The Corporation has assessed the amendments to IAS 12 and concluded that these changes will not have an impact on its consolidated financial statements.

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IFRS 2 Amendments, Share-based payments

The IASB issued amendments to IFRS 2 - *Share-based payments* to clarify the classification and measurement of share-based payment transactions. The amendments clarify the accounting requirements for cash-settled share-based payment transactions that include a performance condition introducing guidance that follows the same approach as used for equity-settled share-based payments. The amendments also address the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after 1 January 2018 and are to be applied prospectively. Earlier application is permitted. At this time, the Corporation does not anticipate that these changes will have a significant impact, if any, on its consolidated financial statements.

3. SEGMENTED INFORMATION

Effective January 1, 2016, the Corporation was reorganized into a divisional structure, which consists of the following operating segments: Americas Coalitions, International Coalitions and GLS. Previously, the Corporation was organized in a regional structure and its operating segments were Canada, EMEA and US & APAC. The changes focus the Corporation on its core businesses for growth and leadership in data-driven marketing and loyalty analytics, while also simplifying Aimia's operations. As part of the ongoing efforts to simplify and focus the operations of the Corporation, the U.S. CEL business and the ES business (*Note 5*), which were reported in the Americas Coalitions segment from January 1, 2016 to September 30, 2016, are now reported under Corporate and Other, effective October 1, 2016. As a result of those changes, the comparative information has been restated to conform with the new segmentation.

For each of the operating segments, the Corporation’s Group Chief Executive and Group Chief Operating Officer review internal management reports on a monthly basis. The segments were identified on a divisional basis and are aligned with the organizational structure and strategic direction of the organization.

The Americas Coalitions segment derives its revenues primarily from the Aeroplan Program and from non-platform based loyalty solutions services in Canada. The GLS segment derives its revenues primarily from loyalty solutions services, including revenue from the Aimia Loyalty Platform - Enterprise and Aimia Loyalty Platform - SAAS. The International Coalitions segment derives its revenues primarily from the Nectar UK and Air Miles Middle East coalition loyalty programs. In addition, the International Coalitions segment also generates revenues from analytics and insights services, including Shopper Insights and Communications, and from loyalty solutions services.

Management of global shared services, global product development costs and share-based compensation is centralized and, consequently, these expenses are not allocated to the operating segments and are reported under Corporate and Other, along with the operating results and the financial position of the U.S. Channel and Employee Loyalty business and the ES business.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The table below summarizes the relevant financial information by operating segment:

	Years Ended December 31,											
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Operating Segments	**Americas Coalitions**		**International Coalitions**		**GLS**		**Corporate and Other** [b]		**Eliminations**		**Consolidated**	
Gross Billings from the sale of Loyalty Units	**1,226.1**	1,201.3	**522.0**	631.4	**—**	—	**—**	—	**—**	—	**1,748.1**	1,832.7
Gross Billings from Loyalty Services and Other	**100.7**	109.3	**95.5**	94.0	**228.3**	239.3	**167.8**	195.8	**(0.7)**	(2.1)	**591.6**	636.3
Total Gross Billings	**1,326.8**	1,310.6	**617.5**	725.4	**228.3**	239.3	**167.8**	195.8	**(0.7)**	(2.1)	**2,339.7** [c]	2,469.0 [c]
Revenue from Loyalty Units	**1,140.0**	1,112.9	**554.2**	704.0	**—**	—	**—**	—	**—**	—	**1,694.2**	1,816.9
Revenue from Loyalty Services and Other	**101.0**	110.4	**95.2**	93.8	**228.0**	240.4	**169.7**	199.1	**—**	—	**593.9**	643.7
Intercompany revenue	**—**	—	**0.4**	0.6	**0.2**	1.5	**0.1**	—	**(0.7)**	(2.1)	**—**	—
Total revenue	**1,241.0**	1,223.3	**649.8**	798.4	**228.2**	241.9	**169.8**	199.1	**(0.7)**	(2.1)	**2,288.1**	2,460.6
Cost of rewards and direct costs	**837.8**	858.1	**447.4**	541.9	**133.9**	139.6	**47.4**	63.3	**(0.4)**	(1.0)	**1,466.1**	1,601.9
Depreciation and amortization [a]	**131.6**	140.4	**18.2**	15.6	**6.7**	7.0	**26.6**	31.4	**—**	—	**183.1**	194.4
Gross margin	**271.6**	224.8	**184.2**	240.9	**87.6**	95.3	**95.8**	104.4	**(0.3)**	(1.1)	**638.9**	664.3
Operating expenses before share-based compensation and impairment charges	**216.2**	171.6 [f]	**133.3**	162.9	**97.2**	95.3	**203.3**	217.3	**(0.3)**	(1.1)	**649.7**	646.0 [f]
Share-based compensation	**—**	—	**—**	—	**—**	—	**9.6**	6.0	**—**	—	**9.6**	6.0
Impairment charges (*Note 14*)	**—**	13.5	**—**	—	**20.1**	—	**45.9**	—	**—**	—	**66.0**	13.5
Total operating expenses	**216.2**	185.1 [f]	**133.3**	162.9	**117.3**	95.3	**258.8**	223.3	**(0.3)**	(1.1)	**725.3**	665.5 [f]
Operating income (loss) [g]	**55.4**	39.7 [f]	**50.9**	78.0	**(29.7)**	—	**(163.0)**	(118.9)	**—**	—	**(86.4)**	(1.2) [f]
Additions to non-current assets [d]	**23.4**	35.7	**19.6**	28.5	**4.5**	2.9	**20.7**	26.5	**N/A**	N/A	**68.2**	93.6
Non-current assets [d]	**2,758.1**	2,868.2	**480.3**	586.3	**8.8**	32.5	**23.0**	124.2	**N/A**	N/A	**3,270.2** [e]	3,611.2 [e]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

(b) Includes global shared services, global product development costs, share-based compensation and the operating results of the U.S. CEL business and the ES business.

(c) Includes third party Gross Billings of $1,348.3 million in Canada, $583.9 million in the UK and $175.9 million in the US for the year ended December 31, 2016, compared to third party Gross Billings of $1,356.4 million in Canada, $694.2 million in the UK and $183.4 million in the US for the year ended December 31, 2015. 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 include amounts relating to goodwill, intangible assets and property and equipment.

(e) Includes non-current assets of $2,781.0 million in Canada, $455.8 million in the UK and $8.4 million in the US as of December 31, 2016, compared to non-current assets of $2,904.6 million in Canada, $598.9 million in the UK and $70.5 million in the US as of December 31, 2015.

(f) Includes the favourable impact of $45.7 million resulting from the reduction of the Card Migration Provision during the year ended December 31, 2015 (*Note 17*).

(g) The reconciliation of the consolidated operating income (loss) to the consolidated earnings (loss) before income taxes for the years ended December 31, 2016 and December 31, 2015 is presented in the consolidated statements of operations.

The table below presents additional financial information for Corporate and Other:

	Years Ended December 31,					
	2016			2015		
	Corporate[2]	**Other[3]**	**Total**	**Corporate[2]**	**Other[3]**	**Total**
Total Gross Billings	**—**	**167.8**	**167.8**	—	195.8	195.8
Total revenue	**—**	**169.8**	**169.8**	—	199.1	199.1
Cost of rewards and direct costs	**—**	**47.4**	**47.4**	—	63.3	63.3
Depreciation and amortization [1]	**14.6**	**12.0**	**26.6**	12.8	18.6	31.4
Gross margin	**(14.6)**	**110.4**	**95.8**	(12.8)	117.2	104.4
Operating expenses before share-based compensation and impairment charges	**86.9**	**116.4**	**203.3**	96.6	120.7	217.3
Share-based compensation	**9.6**	**—**	**9.6**	6.0	—	6.0
Impairment of charges (*Note 14*)	**33.1**	**12.8**	**45.9**	—	—	—
Total operating expenses	**129.6**	**129.2**	**258.8**	102.6	120.7	223.3
Operating loss	**(144.2)**	**(18.8)**	**(163.0)**	(115.4)	(3.5)	(118.9)

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

(2) Includes global shared services, global product development costs and share-based compensation.

(3) Includes the operating results of the U.S. CEL business and the ES business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

Aimia's top four 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. Aimia's top four Accumulation Partners accounted for a significant percentage of Gross Billings as follows:

		Years Ended December 31,	
	Operating segment	2016	2015
		%	%
TD	Americas Coalitions	18	16
Sainsbury's	International Coalitions	15	16
CIBC	Americas Coalitions	11	11
Air Canada	Americas Coalitions	11	10

FINANCIAL CARD AGREEMENTS

Amex Bank of Canada

On October 25, 2016, Aimia and Amex Bank of Canada ("AMEX") extended the term of their existing agreements by one year to December 31, 2018.

As a result, the estimated life of the AMEX Accumulation Partners' contract has been revised to reflect the change to the contractual term. The effect of this change on the amortization of accumulation partners' contracts for current and future accounting periods is presented in the following table.

Accounting period	Increase (decrease)
Year ended December 31, 2016	(2.3)
Year ending December 31, 2017	(13.9)
Year ending December 31, 2018	16.2

TD Bank Group and Canadian Imperial Bank of Commerce

On September 16, 2013, Aimia entered into ten-year financial credit card agreements with each of TD Bank Group ("TD") and Canadian Imperial Bank of Commerce ("CIBC"), effective from January 1, 2014. Under these agreements TD became Aeroplan's primary financial services partner and credit card issuer, while CIBC continues to be an issuer of Aeroplan credit cards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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On September 16, 2013, Aimia also entered into an asset purchase agreement with TD and CIBC. These agreements were subject to certain regulatory approvals and other closing conditions, all of which were fulfilled on December 27, 2013. Pursuant to this agreement, TD acquired on December 27, 2013 approximately half of the Aeroplan credit card portfolio from CIBC and CIBC retained the balance, comprised of Aeroplan cardholders who have broader banking relationships with CIBC. As a result, a payment of $150.0 million in relation to the sale of approximately half of the Aeroplan card portfolio to TD, was made by Aimia to CIBC and recorded in general and administrative expenses during the fourth quarter of 2013. Concurrent with the asset purchase agreement, the parties entered into a migration agreement. Depending on the net migration of Aeroplan-branded credit card accounts between CIBC and TD over the first five years of the agreement (meaning the net amount of cardholders retained by CIBC who choose to move to TD and the cardholders purchased by TD who choose to move to CIBC), TD, Aimia and CIBC have agreed to make payments of up to $400.0 million. Aimia will be responsible for, or entitled to receive, up to $100.0 million of these payments over five years. During the fourth quarter of 2013, a provision ("Card Migration Provision") was recorded, representing management's best estimate at the time of the anticipated net migration of Aeroplan-branded credit card accounts between CIBC and TD over five years. In order to determine the Card Migration Provision, management uses an expected value model. Please refer to *Note 17* for more information. In accordance with the migration agreement, payments relating to the net migration of the Aeroplan-branded credit card accounts are to be made on an annual basis.

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:

	Years Ended December 31,	
	2016	2015
	%	%
Air Canada (and other Star Alliance Partners)	47	43

Air Canada acts as a clearing house for substantially all Gross Billings of Aeroplan Miles and reward purchase transactions between Aimia Canada Inc. (operator of the Aeroplan Program and wholly-owned subsidiary of Aimia) ("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, 2016, Aeroplan is

required to purchase reward travel seats amounting to approximately $567.5 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.

AIR CANADA WARRANTS AND CLASS B SHARES

In connection with the July 29, 2009 Air Canada club loan, which was repaid on August 3, 2010, Air Canada issued warrants to the lenders to purchase Air Canada Class A or Class B variable voting shares. Aeroplan received 1,250,000 warrants with an exercise price of $1.51 each on July 29, 2009 and 1,250,000 warrants with an exercise price of $1.44 each on October 19, 2009, exercisable at any time and expiring four years from the date of grant.

On July 24, 2013, Aimia exercised 1,250,000 warrants at a price of $1.51 each and acquired a corresponding number of Air Canada Class B shares for cash consideration of $1.9 million. The fair value of these warrants amounted to $0.9 million on July 24, 2013. On October 16, 2013, Aimia exercised the remaining 1,250,000 warrants at a price of $1.44 each and acquired a corresponding number of Air Canada Class B shares for cash consideration of $1.8 million. The fair value of these warrants amounted to $4.4 million on October 16, 2013.

At December 31, 2014, the fair value of Air Canada Class B shares amounted to $29.7 million.

During the second quarter of 2015, Aimia disposed of all of its Air Canada Class B shares for net proceeds of $30.5 million. As a result of the disposal, the gain (net of tax) in accumulated other comprehensive income, representing an amount of $18.6 million, was reclassified to net earnings during the second quarter of 2015. Of this amount, $21.5 million was recorded in financial income and $2.9 million in deferred income tax expense.

Prior to their disposal, the investment in Air Canada Class B shares was accounted for as an available-for-sale investment, measured at fair value with changes recognized in other comprehensive income (*Note 28*).

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5. DISPOSAL OF BUSINESSES AND OTHER ASSETS

DISPOSAL OF ENHANCEMENT SERVICES BUSINESS

On July 29, 2016, Aimia sold its ES business for total cash consideration of $15.4 million, subject to certain working capital adjustments. As part of the transaction, Aimia is to provide transition services relating to information technology and accounting for a period of up to six months from the transaction date.

Consideration associated with the disposal of the ES Business	
Cash	13.6
Consideration receivable [(a)]	1.8
Total consideration	**15.4**
Working capital adjustment payable by Aimia	(0.4)
Consideration relating to transition services to be rendered [(b)]	(2.0)
Consideration relating to disposed assets and liabilities	**13.0**
Transaction costs	(1.6)
Consideration relating to disposed assets and liabilities, net of transaction costs	**11.4**

Assets and liabilities disposed of	
Accounts receivable	1.3
Prepaid expenses	1.6
Customer relationships	6.7
Goodwill	7.7
Accounts payable and accrued liabilities	(3.0)
Deferred revenue	(4.8)
Net assets (liabilities) disposed of	**9.5**
Gain on disposal of ES Business	**1.9**

(a) Amount put in escrow by the buyer to cover potential indemnification claims. The amount, net of indemnification claims made by the buyer, will be released to Aimia 18 months after the date of the transaction.

(b) The consideration received is recognized as revenue when the transition services are rendered.

Prior to their disposal, the assets and liabilities related to the ES business were included within Corporate and Other (*Note 3*).

COMMERCIAL RIGHTS IN UK CARD-LINKED MARKETING BUSINESS

On June 30, 2016, Aimia exited the card-linked marketing business that it had built in the UK under its commercial agreements with Cardlytics for an initial consideration of $11.7 million (US$9.0 million) in the form of notes convertible (*Note 10*) into equity instruments of Cardlytics. Additionally, a consideration of $11.7 million (US$9.0 million) was received by Aimia during the third quarter of 2016 in the form of convertible notes of Cardlytics upon the satisfaction

of certain conditions relating to the UK card-linked business. At June 30, 2016, the fair value of the contingent consideration receivable was estimated at $11.7 million. The carrying amount of the net assets and liabilities at June 30, 2016 relating to the UK card-linked marketing business was $0.2 million. As a result, a gain of $23.2 million was recorded in profit and loss during the second quarter of 2016.

Furthermore, the net amount receivable outstanding on June 30, 2016, before the transaction was concluded, of $7.4 million (US$5.7 million) by Aimia from Cardlytics in relation to the UK card-linked marketing business was exchanged for convertible notes during the third quarter of 2016 upon the finalization of the review of the net receivable.

6. FINANCIAL INCOME AND EXPENSES

	Years Ended December 31,	
	2016	2015
Interest income on loans, receivables and convertible notes	4.1	2.3
Interest income on investments in bonds	7.8	8.9
Gain on sale of available-for-sale investments (*Note 4*)	—	21.5
Other financial income	—	7.5
Financial income	**11.9**	40.2
Interest on long-term debt	(38.2)	(39.4)
Other financial expenses	(5.8)	(2.1)
Financial expenses	**(44.0)**	(41.5)
Net financial expenses	**(32.1)**	(1.3)

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7. LOSS PER COMMON SHARE

	Years Ended December 31,	
	2016	2015
Net earnings (loss) attributable to equity holders of the Corporation	**(66.3)**	0.1
Deduct: Dividends declared on preferred shares (*Note 23*)	**(16.9)**	(17.9)
Net loss attributable to common shareholders	**(83.2)**	(17.8)
Weighted average number of basic and diluted common shares	**152,404,849**	162,678,128
Loss per common share – Basic and fully diluted	**$ (0.55)**	$ (0.11)

8. ACCOUNTS RECEIVABLE

As at	December 31,	December 31,
	2016	2015
Trade receivables	216.8	352.3
Other receivables	69.9	117.5
Total	**286.7**	469.8

9. CASH HELD IN ESCROW

A) ACQUISITION OF EIM

On March 24, 2014, an amount of $1.8 million (US$1.6 million), representing a portion of the amount placed in escrow to cover potential indemnification claims, was released from escrow. Of this amount, $1.4 million (US$1.3 million) was released to the selling shareholders and $0.4 million (US$0.3 million), representing deferred compensation, was released to Aimia during the first quarter of 2014 and subsequently paid to certain selling shareholders during the fourth quarter of 2014. During the year ended December 31, 2014, Aimia had filed claims for the balance of the indemnity escrow for which a settlement of $1.4 million (US$1.2 million) was reached. This amount was released to Aimia during the first quarter of 2015.

B) ACQUISITION OF SMART BUTTON

On July 17, 2013, pursuant to the acquisition agreement, an amount of $6.0 million (US$5.8 million) was placed in escrow, representing $1.8 million (US$1.8 million) to cover working capital adjustments and potential indemnification claims and $4.2 million (US$4.0 million) related to deferred compensation payable to certain selling shareholders in two equal payments of US$2.0 million on December 31, 2014 and December 31, 2015 provided that they remain employed with Aimia at such times.

On February 13, 2014, an amount of $0.3 million (US$0.3 million) was released from escrow and paid to the selling shareholders as a result of the completion of the working capital audit.

On December 31, 2014, the first half of the deferred compensation, representing an amount of $2.3 million (US$2.0 million), was released from escrow and paid to the selling shareholders as they were employed with Aimia on such date.

On January 20, 2015, an amount of $1.8 million (US$1.5 million), representing the amount placed in escrow to cover potential indemnification claims, was released from escrow and paid to the selling shareholders.

On December 31, 2015, the second half of the deferred compensation, representing an amount of $2.8 million (US $2.0 million), was released from escrow and paid to the selling shareholders as they were employed with Aimia on such date.

10. LONG-TERM INVESTMENTS

	December 31, 2016	December 31, 2015
Investments in equity instruments [(a)]	76.9	128.2
Investment in corporate and government bonds *(Note 12)* [(b)]	226.0	253.6
Investments in convertible notes (*Note 5*) [(c)]	39.2	—
Total	**342.1**	381.8

(a) Includes the investment in Cardlytics at December 31, 2016 and December 31, 2015. During the year ended December 31, 2016, fair value losses amounting to $46.6 million were recorded in other comprehensive income related to the investment in Cardlytics (*Note 28*).

(b) The investment in corporate and government bonds amounted to $306.4 million at December 31, 2016 (December 31, 2015: $308.2 million) of which $80.4 million was classified as short-term investments (December 31, 2015: $54.6 million) and $226.0 million as long-term investments (December 31, 2015: $253.6 million).

(c) The convertible notes accrue interest at a rate of 10% per year, compounded annually. Unless converted earlier, the notes are redeemable on demand at any date specified by the holder after the 24 month anniversary of the initial closing date. At December 31, 2016, the convertible notes, including accrued interest since inception, obtained as consideration for the exit of the UK card-linked business, amounted to $33.5 million (US$24.9 million) (*Note 5*).

In addition to the convertible notes relating the exit of the UK card-linked marketing business, Aimia invested an amount of $5.0 million (US$4.0 million) in convertible notes of Cardlytics during the second quarter of 2016. At December 31, 2016, these convertible notes, including accrued interest since inception, amounted to $5.7 million (US$4.3 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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11. EQUITY-ACCOUNTED INVESTMENTS

As at	December 31, 2016	December 31, 2015
Investment in PLM Premier, S.A.P.I. de C.V. [(a)]	80.4	85.0
Other equity-accounted investments in joint ventures [(b)]	22.5	25.6
Equity-accounted investments in associates [(c)]	0.9	7.2
Total	**103.8**	117.8

(a) During the years ended December 31, 2016 and December 31, 2015, Aimia received distributions from PLM of $18.3 million (US$13.7 million) and $27.2 million (US$20.5 million), respectively.

(b) On December 23, 2015, Aimia invested an additional amount of $3.5 million (RM$10.9 million) in Think Big upon the achievement of certain milestones.

On January 9, 2015 and January 29, 2015, Aimia invested additional amounts totaling $1.0 million (US$0.8 million) in Prismah to fund certain costs associated with the wind-up of the joint arrangement, which was completed on March 7, 2015.

(c) During the year ended December 31, 2016, the carrying amount of the investment in China Rewards, representing an amount of $5.4 million, was written-off as a result of the Corporation's decision to no longer continue to fund the operations. The write-off is presented in share of net earnings (loss) of equity-accounted investments in the consolidated statement of operations.

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31, 2016	2015
Investment in PLM Premier, S.A.P.I. de C.V.	15.7	8.1
Other equity-accounted investments in joint ventures	5.2	4.8
Equity-accounted investments in associates [(c)]	(5.7)	(1.3)
Total	**15.2**	11.6

A) INVESTMENT IN PLM PREMIER, S.A.P.I. DE C.V.

Presented below is the summarized financial information for PLM, excluding amounts relating to identifiable assets and goodwill recognized on a step basis. The information reflects the amounts presented in the financial statements of PLM adjusted for differences in accounting policies between the Corporation and PLM.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Summarized balance sheet

As at	December 31, 2016	December 31, 2015
Cash and cash equivalents	40.6	109.6
Other current assets	141.4	83.6
Total current assets	182.0	193.2
Total non current assets	66.2	62.2
Total assets	**248.2**	255.4
Total current liabilities	(187.8)	(206.4)
Total non-current liabilities	(186.7)	(184.7)
Total liabilities	**(374.5)**	(391.1)
Net liabilities	**(126.3)**	(135.7)

Summarized statement of comprehensive income

	Years Ended December 31,	
	2016	2015
Revenue	**244.8**	195.8
Cost of rewards and operating expenses	(189.8)	(157.2)
Depreciation and amortization	(1.7)	(2.0)
Operating income	**53.3**	36.6
Net financial income	5.3	2.3
Income tax expense	(16.1)	(9.6)
Net earnings	**42.5**	29.3
Other comprehensive income (loss)	4.4	(17.5)
Comprehensive income	**46.9**	11.8

Reconciliation of summarized financial information to the carrying amount and Aimia's share of net earnings

	2016	2015
PLM net assets (liabilities), beginning of year	**(135.7)**	(91.9)
Net earnings for the year	42.5	29.3
Other comprehensive income (loss) for the year	4.4	(17.5)
Distributions declared during the year	(37.5)	(55.6)
PLM net assets (liabilities), end of year	**(126.3)**	(135.7)
Interest in PLM @ 48.9%	(61.7)	(66.3)
Net book value of identifiable assets and goodwill recognized on a step basis	142.1	151.3
Carrying value, end of year	**80.4**	85.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Years Ended December 31,	
	2016	2015
Net earnings for the year	**42.5**	29.3
Share of net earnings of PLM @ 48.9%	20.8	14.3
Amortization expense related to identifiable assets recognized on a step basis	(5.1)	(6.2)
Aimia's share of PLM net earnings	**15.7**	8.1

12. REDEMPTION RESERVE

Aeroplan maintains the Aeroplan 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. To date, Aimia has not used the funds held in the Reserve. At December 31, 2016, the Reserve amounted to $300.0 million and was 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 on policies established by management, which are reviewed periodically. At December 31, 2016, the Reserve was invested in corporate, federal and provincial bonds. 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.

13. PROPERTY AND EQUIPMENT

As at	December 31, 2016			December 31, 2015		
	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Total Property and Equipment
Cost	**51.1**	**34.1**	**85.2**	61.6	36.9	98.5
Accumulated depreciation and impairment	**(32.3)**	**(22.4)**	**(54.7)**	(34.2)	(20.6)	(54.8)
Net carrying amount	**18.8**	**11.7**	**30.5**	27.4	16.3	43.7

Additions to furniture, fixtures and computer hardware amounted to $2.9 million for the year ended December 31, 2016 (2015: $10.7 million). Additions to leasehold improvements amounted to $3.9 million for the year ended December 31, 2016 (2015: $6.2 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

14. PROPERTY AND EQUIPMENT, LONG-LIVED INTANGIBLES AND GOODWILL

	Property and Equipment	Accumulation Partners' Contracts and Customer Relationships	Software and Technology	Trade Names	Other Intangibles	Goodwill
Year ended December 31, 2015						
Opening net carrying amount	34.5	1,013.0	148.5	405.3	0.8	2,038.9
Additions - Internally generated	—	—	71.0	—	—	—
Additions - Purchased	16.9	—	—	—	—	—
Depreciation and amortization expense [(a) (b)]	(9.7)	(135.1)	(49.2)	—	(0.4)	—
Impairment charges [(c)]	—	(5.3)	—	—	—	(8.2)
Exchange differences and other	2.0	9.2	10.8	18.0	0.2	50.0
Closing net carrying amount	**43.7**	**881.8**	**181.1**	**423.3**	**0.6**	**2,080.7**
At December 31, 2015						
Cost	98.5	1,662.3	531.9	423.3	1.2	2,187.3
Less: accumulated depreciation and amortization	54.8	775.2	350.8	—	0.6	—
Less: accumulated impairment charges [(d)]	—	5.3	—	—	—	106.6
Closing Net carrying amount	**43.7**	**881.8**	**181.1**	**423.3**	**0.6**	**2,080.7**
Year ended December 31, 2016						
Opening net carrying amount	43.7	881.8	181.1	423.3	0.6	2,080.7
Additions - Internally generated	—	—	58.6	—	—	—
Additions - Purchased	6.8	—	—	—	—	—
Disposals - Sale of ES Business (*Note 5*)	—	(6.7)	—	—	—	(7.7)
Depreciation and amortization expense [(a) (b)]	(10.4)	(123.6)	(48.9)	—	(0.2)	—
Impairment charges [(c)]	(2.3)	(1.4)	(37.1)	—	(0.1)	(25.1)
Reclassification to assets held for sale (*Note 30A*)	(4.7)	(14.4)	(1.2)	—	—	(4.0)
Exchange differences and other	(2.6)	(3.0)	(16.1)	(28.7)	—	(68.2)
Closing net carrying amount	**30.5**	**732.7**	**136.4**	**394.6**	**0.3**	**1,975.7**
At December 31, 2016						
Cost	85.2	1,577.9	513.2	394.6	1.3	2,091.6
Less: accumulated depreciation and amortization	52.4	838.5	339.7	—	0.9	—
Less: accumulated impairment charges [(d)]	2.3	6.7	37.1	—	0.1	115.9
Closing Net carrying amount	**30.5**	**732.7**	**136.4**	**394.6**	**0.3**	**1,975.7**

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

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

(c) Impairment charges are included in operating expenses in the consolidated statement of operations.

(d) Represents accumulated impairment losses since January 1, 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

GOODWILL, TRADE NAMES AND IMPAIRMENT CHARGES

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.

Effective January 1, 2016, the Corporation was reorganized into a divisional structure (*Note 3*). These ongoing efforts to simplify and focus the operations of the Corporation have been accompanied with strategic and organizational changes across all divisions which led the Corporation to revisit its cash-generating units for the purpose of the 2016 annual impairment test to align with the way the goodwill is now monitored. One significant change is the aggregation of the APAC Loyalty Solutions, US Loyalty Solutions, UK Loyalty Solutions and Global Products operations to form the GLS group of CGUs. For the purpose of the 2015 annual impairment test, the APAC Loyalty Solutions operations were identified as a separate CGU, the US Loyalty Solutions operations were grouped together with the U.S. Channel and Employee Loyalty business in the US group of CGUs, while the UK Loyalty Solutions and Global Products operations were included in the EMEA group of CGUs (now renamed International Coalitions group of CGUs).

The recoverable amounts of Aimia's cash-generating units for the year ended December 31, 2016 were based on a fair value less costs of disposal calculation. The valuation technique is classified as level 3 in accordance with the fair value hierarchy described in *Note 28*.

Fair value less costs of disposal was determined by using an average of the discounted future cash flows generated from the continuing use of the units and a market approach derived using a multiplication of earnings. The calculation of the discounted future cash flows was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results, and on the financial budgets approved by management covering a 3 year term.
- Other key assumptions applied in the discounting of future cash flows include a terminal growth rate and 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 key assumptions for the market approach include:

- Adjusted EBITDA projected on the basis of past experience, actual operating results and the 2017 long range plan. Adjusted EBITDA is a non-GAAP measure and represents earnings before interest, taxes, depreciation and amortization adjusted for certain factors particular to the business, such as changes in deferred revenue and Future Redemption Costs (“Adjusted EBITDA”);
- Multipliers were determined on the basis of historical and publicly available information of comparable companies.

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The aggregate carrying amounts of goodwill and trade names (pre and post impairment testing) allocated by CGU or group of CGUs at December 31, 2016 as well as the terminal growth rate and discount rate applied in the discounting of future cash flows are as follows:

As at	December 31, 2016		Discounted Free Cash Flow Assumptions (%)	
	Carrying Amount - Post impairment testing	Carrying Amount - Pre impairment testing	Terminal Growth Rate	Discount Rate
Goodwill				
Americas Coalitions				
Aeroplan	1,675.8	1,675.8	1.5	12.3
International Coalitions				
International Coalitions group of CGUs	299.9	299.9	1.5	16.7
GLS				
GLS group of CGUs	—	12.3	1.5	20.1
Total	**1,975.7**	**1,988.0**		
Trade Names				
Aeroplan	275.0	275.0	1.5	12.3
International Coalitions group of CGUs	119.6	119.6	1.5	11.6
Total	**394.6**	**394.6**		

Based on the results of the impairment tests conducted in 2016, the carrying amounts of the units were determined to be lower than their recoverable amounts, with the exception of the GLS group of CGUs for which impairment charges amounting to $53.2 million were recorded during the fourth quarter of 2016. The details are presented in the following table:

Impairment charges - GLS group of CGUs		
Long-lived assets	Operating segment	Impairment charges
Property and equipment	GLS	2.3
Software and technology	GLS	4.0
Software and technology [(a)]	Corporate and Other	33.1
Customer relationships	GLS	1.4
Other intangibles	GLS	0.1
Goodwill	GLS	12.3
Total		53.2

(a) The impairment charge relates to global product development assets within Corporate and Other.

The impairment charges of the GLS group of CGUs relate to the longer term requirements to right size this business and service delivery model to ensure sustainable profitable growth. This includes further investment in this business

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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as it exits a rewards fulfillment model and moves towards a platform and loyalty service delivery model. At this time management does not foresee this business being profitable before the end of 2019, and as such has recorded impairment charges.

In addition, the Corporation recorded impairment charges totaling $12.8 million relating to the U.S. CEL business within Corporate and Other which is presented as held for sale at December 31, 2016 (*Note 30A*).

Prior to the reorganization of the Corporation into a divisional structure effective January 1, 2016, the Corporation was organized in a regional structure. The aggregate carrying amounts of goodwill and trade names (pre and post impairment test) allocated by CGU or group of CGUs at December 31, 2015 as well as the terminal growth rate and discount rate applied in the discounting of future cash flows were as follows:

As at	December 31, 2015		Discounted Free Cash Flow Assumptions (%)	
	Carrying Amount - Post impairment test	Carrying Amount - Pre impairment test	Terminal Growth Rate	Discount Rate
Goodwill				
Canada				
Aeroplan	1,675.8	1,675.8	2.5	10.6
Canada Loyalty Solutions group of CGUs	7.7	15.9	2.5	19.0
EMEA				
EMEA group of CGUs	367.1	367.1	2.5	14.9
US & APAC				
US group of CGUs	27.9	27.9	2.5	19.1
APAC Proprietary Loyalty	2.2	2.2	3.0	19.5
Total	**2,080.7**	**2,088.9**		
Trade Names				
Aeroplan	275.0	275.0	2.5	10.6
EMEA group of CGUs	148.3	148.3	2.5	11.1
Total	**423.3**	**423.3**		

Based on the results of the impairment tests conducted in 2015, the carrying amounts of the units were determined to be lower than their recoverable amounts, with the exception of the Canada Loyalty Solutions group of CGUs for which impairment charges amounting to $13.5 million were recorded during the fourth quarter of 2015. Of this amount, $8.2 million was recorded against goodwill and $5.3 million against customer relationships. The impairment charges in the Canada Loyalty Solutions group of CGUs related to the weakness in the Canadian economy which impacts consumer and marketing spending in the key business verticals this group of units operates. As a result of these factors, projected Gross Billings and Adjusted EBITDA were reduced, resulting in lower projected cash flows.

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15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2016	December 31, 2015
Trade payables and redemption accruals	261.9	313.6
Non-trade payables and other accrued expenses	122.1	214.2
Share-based compensation liability	3.3	4.2
Restructuring liabilities	5.0	13.2
Base and contingent consideration payable related to business acquisitions (*Notes 25 & 28*)	3.3	2.1
Total	**395.6**	547.3

A) RESTRUCTURING LIABILITIES

Over the past few years, Aimia has engaged in a series of restructuring programs related to integrating and aligning our businesses, exiting certain activities, outsourcing certain internal functions and engaging in other actions designed to reduce our cost structure and improve productivity. As a result of these initiatives, Aimia recorded various severance provisions. Management continues to evaluate our business and, therefore, in future years, there may be additional provisions for new plan initiatives, as well as changes in estimates to amounts previously recorded, as payments are made or actions are completed.

	Divisional structure	Other restructuring	Total
Balance at December 31, 2014	**—**	**3.5**	**3.5**
Liability recorded during the year	15.7	6.8	22.5
Payments made during the year	(4.5)	(8.7)	(13.2)
Foreign exchange translation adjustment	0.1	0.3	0.4
Balance at December 31, 2015	**11.3**	**1.9**	**13.2**
Liability recorded during the year	9.0	0.9	9.9
Payments made during the year	(16.3)	(1.3)	(17.6)
Foreign exchange translation adjustment	(0.5)	—	(0.5)
Balance at December 31, 2016	**3.5**	**1.5**	**5.0**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Restructuring expenses recorded during the years ended December 31, 2016 and 2015 for each segment are presented below:

	Year Ended December 31, 2016			Year Ended December 31, 2015		
Segment	Divisional structure	Other restructuring	Total	Divisional structure	Other restructuring	Total
Americas Coalitions	4.4	0.4	4.8	3.2	3.5	6.7
International Coalitions	2.1	—	2.1	5.8	—	5.8
Global Loyalty Solutions	—	0.3	0.3	2.4	0.4	2.8
Corporate and Other	2.5	0.2	2.7	4.3	2.9	7.2
Total	**9.0**	**0.9**	**9.9**	15.7	6.8	22.5

2016 activity

During the year ended December 31, 2016, Aimia recorded $9.9 million in net restructuring expenses, which consisted primarily of severance costs of $9.0 million related to headcount reductions associated with the Corporation's new line of business structure announced on August 14, 2015 and which came into effect on January 1, 2016.

2015 activity

During the year ended December 31, 2015, Aimia recorded $22.5 million in net restructuring expenses, which included the following:

- Severance costs of $15.7 million related to headcount reductions associated with the Corporation's new line of business structure announced on August 14, 2015 and which came into effect on January 1, 2016.
- Severance costs of $6.8 million related to other restructuring activities, primarily related to outsourcing and integration initiatives to reduce our cost structure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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16. DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

	Loyalty Units		Loyalty Services and Other		Total	
As at	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Opening balance	**3,247.4**	3,168.5	**45.0**	49.8	**3,292.4**	3,218.3
Loyalty Units issued – Gross Billings	**1,748.1**	1,832.7	**—**	—	**1,748.1**	1,832.7
Other – Gross Billings	**—**	—	**591.6**	636.3	**591.6**	636.3
Revenue recognized	**(1,694.2)**	(1,816.9)	**(593.9)**	(643.7)	**(2,288.1)**	(2,460.6)
Deferred revenue relating to the disposal of the ES business	**—**	—	**(4.8)**	—	**(4.8)**	—
Foreign currency and other adjustments	**(75.1)**	63.1	**0.8**	2.6	**(74.3)**	65.7
Ending balance	**3,226.2**	3,247.4	**38.7**	45.0	**3,264.9**	3,292.4
Represented by:						
Current portion	**1,473.4**	1,552.7	**19.3**	44.8	**1,492.7**	1,597.5
Held for sale	**—**	—	**19.1**	—	**19.1**	—
Long-term	**1,752.8**	1,694.7	**0.3**	0.2	**1,753.1**	1,694.9

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 potential redemption cost for such Loyalty Units is estimated to be $860.6 million at December 31, 2016.

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 $194.3 million for the period in which the change occurred, with $175.4 million relating to prior years and $18.9 million relating to the current year.

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17. PROVISIONS

ASSET PURCHASE AGREEMENT *(NOTE 4)*

	Card Migration Provision
Balance at December 31, 2014	**50.0**
Provision recorded during the year	—
Provision received (used) during the year	1.7
Provision reversed during the year	(45.7)
Balance at December 31, 2015	**6.0**
Provision recorded during the year	**—**
Provision received (used) during the year	**(0.6)**
Provision reversed during the year	**—**
Balance at December 31, 2016	**5.4**
Represented by:	
Current portion	**1.1**
Long-term portion	**4.3**

In relation to the asset purchase and migration agreements with TD and CIBC and the net migration of Aeroplan-branded credit card accounts between CIBC and TD, a provision totaling $50.0 million was recorded in general and administrative expenses during the fourth quarter of 2013.

During the second quarter of 2015, based on actual card migration data for the eighteen month period ending June 30, 2015 and management's estimate of migration patterns going forward, the Card Migration Provision was reduced by an amount of $45.7 million. The adjustment was recorded as a reduction to general and administrative expenses. Additionally, an amount of $1.7 million was received during the second quarter of 2015, representing the payment relating to the 2014 calendar year in accordance with the terms of the migration agreement. There was no change to the total provision during the third and fourth quarters of 2015.

During the first quarter of 2016, an amount of $0.6 million was paid by Aimia, representing the payment relating to the 2015 calendar year in accordance with the terms of the migration agreement. There was no change to the total provision during the remaining nine months of 2016.

At this time, the provision represents management's best estimate.

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18. LONG-TERM DEBT

The following is a summary of Aimia's authorized and outstanding revolving facility and Senior Secured Notes:

	Authorized at December 31, 2016	Drawn at December 31, 2016	Drawn at December 31, 2015
Revolving facility [(a)]	300.0	—	—
Senior Secured Notes Series 3 [(b)]	N/A	—	200.0
Senior Secured Notes Series 4 [(c)]	N/A	250.0	250.0
Senior Secured Notes Series 5 [(d)]	N/A	200.0	200.0
Unamortized transaction costs [(e)]	N/A	(1.7)	(2.7)
Total long-term debt		**448.3**	**647.3**
Less: current portion		—	—
Long-term debt		**448.3**	**647.3**

(a) On April 11, 2016, Aimia concluded an amendment to its existing credit facility with its lending syndicate, extending the term of its revolving facility by one year to April 23, 2020. Depending on the Corporation's credit ratings, the revolving facility bears interest at rates ranging between Canadian prime rate plus 0.20% to 1.50% and the Bankers' Acceptance and LIBOR rates plus 1.20% to 2.50%.

Letters of credit: Aimia has issued irrevocable letters of credit in the aggregate amount of $9.5 million. This amount reduces the available credit under the revolving facility.

(b) The Senior Secured Notes Series 3, in the principal amount of $200.0 million and bearing interest at 6.95% per annum, were redeemed on December 9, 2016 with cash on hand.

(c) On May 17, 2012, Aimia issued Senior Secured Notes Series 4 in the principal amount of $250.0 million. These notes bear interest at 5.60% per annum, payable semi-annually in arrears on May 17th and November 17th of each year, commencing November 17, 2012, and mature on May 17, 2019.

(d) On November 22, 2012, Aimia issued Senior Secured Notes Series 5 in the principal amount of $200.0 million. These notes bear interest at 4.35% per annum, payable semi-annually in arrears on January 22nd and July 22nd of each year, commencing January 22, 2013, and mature on January 22, 2018.

(e) Long-term debt is presented net of unamortized transaction costs.

Each of the Senior Secured Notes Series 4 and 5 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Ratio	Result	Test
Leverage	1.85	≤ 3.50
Debt service [(a)]	(0.69)	≤ 2.00
Interest coverage	8.73	≥ 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.

19. PENSION AND OTHER LONG-TERM LIABILITIES

As at	December 31, 2016	December 31, 2015
Pension and other future benefits obligations (*Note 20*)	**31.9**	34.7
Share-based compensation liability	**12.4**	9.5
Base and contingent consideration payable related to business acquisitions *(Notes 25 & 28)*	**10.0**	—
Deferred tenant allowances and lease inducements	**5.7**	7.9
Other	**13.1**	12.1
Total	**73.1**	64.2

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20. 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, 2016 amounted to $385.4 million (2015: $430.3 million).

EMPLOYEE SHARE PURCHASE PLAN

The employee share purchase plan allows eligible employees to invest up to 6% of their salary 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, 2016 and 2015, Aimia's contributions to the plan were not significant.

DEFINED CONTRIBUTION PLANS

Total employee pension costs, as recognized by Aimia under required defined contribution employee future benefit accounting practices, amounted to $11.4 million for the year ended December 31, 2016 (2015: $11.3 million).

DEFINED BENEFIT PLAN

Description of benefit plan

The defined benefit pension plan is registered with the Office of the Superintendent of Financial Institutions (“OSFI”) and Canada Revenue Agency (“CRA”). The most recent actuarial valuation report for funding purposes was conducted as at December 31, 2015. Such report presents the Corporation's minimum funding requirements. The next required actuarial valuation will be conducted as at December 31, 2016 and will be completed and filed with regulatory authorities no later than June 30, 2017.

The pension plan governance responsibility, overseeing all aspects of the plan including investment decisions and contribution schedules, lies with the Corporation.

The pension fund investment has been delegated to independent managers. The Corporation has set up an investment committee to establish and review the Statement of Investment Policies and Procedures (“SIPP”), as applicable, and monitor managers' investment performance on a regular basis. The Corporation has also appointed experienced, independent professional experts such as actuaries, custodians and trustees. The Corporation has established a pension committee to administer the plan provisions, which is composed of members designated by the Corporation and the union.

The following tables summarize 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.

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The change in pension and other benefits plan obligations and assets is as follows:

	Pension Benefits [a]			Other Employee Future Benefits [a]
	Present value of obligation	Fair value of assets	Total	Total
At December 31, 2014	(139.5)	121.8	(17.7)	(17.8)
Current service cost	(3.7)	—	(3.7)	(0.6)
Interest (expense) income	(5.7)	4.9	(0.8)	(0.7)
Remeasurement gain (loss)	—	—	—	0.4
Administrative expenses	—	(0.4)	(0.4)	—
Impact on earnings	(9.4)	4.5	(4.9)	(0.9)
Remeasurements:				
- Return on plan assets, excluding amounts in interest income	—	0.7	0.7	—
- Gain (loss) from change in demographic assumptions	(0.1)	—	(0.1)	(0.1)
- Gain (loss) from change in financial assumptions	2.8	—	2.8	(0.1)
- Experience gains (losses)	(3.8)	—	(3.8)	0.6
Impact of remeasurements on other comprehensive income (loss)	(1.1)	0.7	(0.4)	0.4
- Employer contribution	—	6.4	6.4	—
- Participant contributions	(1.5)	1.5	—	—
- Benefits paid	4.7	(4.7)	—	0.2
At December 31, 2015	**(146.8)**	**130.2**	**(16.6)**	**(18.1)**
Current service cost	(3.9)	—	(3.9)	(0.5)
Interest (expense) income	(6.2)	5.4	(0.8)	(0.7)
Remeasurement gain (loss)	—	—	—	(0.5)
Administrative expenses	—	(0.4)	(0.4)	—
Impact on earnings	(10.1)	5.0	(5.1)	(1.7)
Remeasurements:				
- Return on plan assets, excluding amounts in interest income	—	7.6	7.6	—
- Gain (loss) from change in demographic assumptions	(0.4)	—	(0.4)	—
- Gain (loss) from change in financial assumptions	(5.5)	—	(5.5)	(0.9)
- Experience gains (losses)	2.3	—	2.3	0.2
Impact of remeasurements on other comprehensive income (loss)	(3.6)	7.6	4.0	(0.7)
- Employer contribution	—	5.9	5.9	—
- Participant contributions	(1.3)	1.3	—	—
- Benefits paid	3.9	(3.9)	—	0.4
At December 31, 2016	**(157.9)**	**146.1**	**(11.8)**	**(20.1)**

(a) Measured at December 31st of each year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The defined benefit pension plan assets, which all have a quoted market price, consist of:

	December 31,			
	2016		2015	
	$	%	$	%
Asset category [(a)]				
Cash and cash equivalents	7.8	5.3	6.0	4.6
Equity securities				
- Canadian equities	45.9		36.4	
- Foreign equities	59.4		54.5	
	105.3	72.1	90.9	69.8
Debt securities				
- Canadian government bonds	19.8		19.2	
- Canadian corporate bonds	11.4		11.7	
- Foreign corporate bonds	1.8		2.4	
	33.0	22.6	33.3	25.6
Total	**146.1**	**100.0**	**130.2**	**100.0**

(a) Measured at December 31st of each year.

The defined benefit plan exposes the Corporation to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The pension fund holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing to volatility and risk in the short-term. However, due to the long-term nature of plan liabilities, the Corporation believes that a level of continuing equity investment is an appropriate element of the plan's long-term strategy to manage the plan efficiently. Plan assets are invested in a diversified manner so to minimize the volatility risk.
Change in bond yields	As the discount rate assumption is based on corporate bond yields, a decrease in such yields will increase the defined benefit obligation. However, this increase will be partially offset by an increase in the value of the plan's bond holdings.
Life expectancy	The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. The most up to date mortality tables are used to minimize this risk.
Inflation risk	The health care plan's benefit obligation is linked to inflation, and higher inflation will lead to higher liabilities. However, this increase is limited as the benefits are capped by a lifetime maximum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Pension Benefits [b]		Other Employee Future Benefits [b]	
December 31,	2016	2015	2016	2015
	%	%	%	%
Discount rate	3.9	4.1	3.8	4.0
Rate of compensation increase	2.0 for 2016 and thereafter	2.0 for 2015 and thereafter	N/A	N/A
Dental & Health care inflation [a]	N/A	N/A	4.5 & 8.5	4.5 & 8.5

(a) The health care inflation assumption was reduced, starting in 2023, to 5% per annum.

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

The assumptions regarding future mortality is set based on actuarial advice in accordance with published statistics. The assumption translates into a remaining average life expectancy in years for a pensioner retiring at age 65:

	Pension Benefits		Other Employee Future Benefits	
December 31,	2016	2015	2016	2015
(in years)				
Retiring at the end of the reporting period:				
- Male	22	21	21	21
- Female	25	24	25	24
Retiring 20 years after the end of the reporting period:				
- Male	23	23	23	23
- Female	26	25	25	25

The sensitivity of the defined benefit obligation to changes in significant assumptions is set out below:

Impact on defined benefit obligation		Pension Benefits		Other Employee Future Benefits	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		%	%	%	%
Discount rate	0.5%	Decrease by 8.4	Increase by 9.7	Decrease by 6.5	Increase by 7.3
Rate of compensation increase	0.5%	Increase by 0.5	Decrease by 0.8	N/A	N/A
Health care cost trend	1.0%	N/A	N/A	Increase by 5.5	Decrease by 5.0
Health care claims cost	10.0%	N/A	N/A	Increase by 4.2	Decrease by 4.3
Life expectancy	1 year	Increase by 1.7	Decrease by 1.8	Increase by 0.9	Decrease by 1.0

The sensitivity analysis have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period. Each sensitivity analysis disclosed is based on changing one assumption while holding all other assumptions constant. In reality, one might expect interrelationships between the assumptions. The analysis above abstracts from these correlations between assumptions. When calculating the sensitivity of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

defined benefit obligation to variation in significant actuarial assumptions, the same method (projected unit credit method) has been applied as for calculating the liability recognized in the statement of financial position.

The duration of the defined benefits pension obligation at December 31, 2016 was 17.6 years (2015: 18.0 years). The duration of the other defined benefits obligation at December 31, 2016 was 14.5 years (2015: 14.8 years).

The expected maturity analysis of undiscounted pension and other benefits is presented below:

	Pension Benefits		Other Employee Future Benefits	
December 31,	2016	2015	2016	2015
Less than a year	4.1	3.5	0.5	0.5
Between 1-2 years	4.3	3.8	0.6	0.5
Between 2-5 years	15.0	13.0	2.3	2.2
Over 5 years	312.5	260.1	40.4	39.5
Total	335.9	280.4	43.8	42.7

According to the most recent actuarial valuation performed at December 31, 2015 for funding purposes, the plan surplus amounts to $19.4 million on a going-concern basis while there is a deficit of $30.5 million on a solvency basis. As such, the Corporation is required to make annual special payments of $3.1 million to fund the plan deficit until the next actuarial opinion is filed. The Corporation current service cost on a going-concern basis is equal to 11.8% of members' pensionable earnings.

The Corporation expects $8.7 million in contributions to be paid to its benefit plan in 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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21. INCOME TAXES

Income Tax Expense

Income tax expense (recovery) for the year is as follows:

	Years Ended December 31,	
	2016	2015
Current tax expense (recovery)		
Current tax expense for the year	12.7	13.1
Current tax recovery on losses carried back to prior years	(48.7)	—
Adjustment in respect of prior years	—	2.3
Total current tax expense (recovery)	**(36.0)**	**15.4**
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(11.0)	(4.3)
Recognition of previously unrecognized deferred tax assets	(5.0)	(7.2)
Deferred tax expense on losses carried back to prior years	39.1	—
Change in Canadian tax rate	(0.7)	—
Total deferred tax expense (recovery)	**22.4**	**(11.5)**
Income tax expense (recovery)	**(13.6)**	**3.9**

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

	Years Ended December 31,			
	2016		2015	
	%	$	%	$
Reconciliation of statutory tax rate				
Income tax expense (recovery) at Canadian statutory tax rate:	26.58	(20.8)	26.58	2.4
Adjusted for the effect of:				
Temporary differences for which no deferred income tax asset has been recorded	(34.52)	27.0	125.07	11.4
Permanent differences - other	2.05	(1.6)	(28.57)	(2.6)
Foreign operations - subject to lower tax rates	4.22	(3.3)	(37.36)	(3.4)
Recognition of previously unrecognized deferred tax assets	6.39	(5.0)	(79.12)	(7.2)
Prior year adjustments	—	—	25.27	2.3
Effect of losses carried back to prior years	12.28	(9.6)	—	—
Effect of tax rate changes on deferred income taxes	0.39	(0.3)	10.99	1.0
Income tax expense (recovery) as reported in the consolidated statements of operations and effective tax rate	17.39	(13.6)	42.86	3.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

Deferred income tax assets and liabilities

At December 31, 2016, no deferred tax liabilities were recognized for temporary differences of $38.0 million (2015: $31.4 million) related to investments in subsidiaries 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,	
	2016	2015
Deferred tax liabilities - to be settled within 12 months	—	—
Deferred tax liabilities - to be settled after 12 months	97.8	75.1
	97.8	**75.1**

Movements in temporary differences during the year were as follows:

	Balance at December 31, 2015	Recognized in Earnings 2016	Recognized in OCI 2016	Recognized in Equity 2016	Balance at December 31, 2016
Deferred tax assets					
Eligible capital expenditures	128.4	(10.0)	—	—	118.4
Losses available for carryforward	111.4	(56.0)	—	(5.5)	49.9
Deferred transaction costs	0.5	(0.2)	—	—	0.3
Pension and other long-term liabilities	12.3	0.6	(0.9)	—	12.0
Other	8.9	4.3	—	—	13.2
Deferred tax liabilities					
Accumulation Partners' contracts, customer relationships and trade names	(318.7)	43.6	—	6.1	(269.0)
Software and technology	(17.9)	(4.7)	—	—	(22.6)
	(75.1)	**(22.4)**	**(0.9)**	**0.6**	**(97.8)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Balance at December 31, 2014	Recognized in Earnings 2015	Recognized in OCI 2015	Recognized in Equity 2015	Balance at December 31, 2015
Deferred tax assets					
Eligible capital expenditures	138.0	(9.6)	—	—	128.4
Losses available for carryforward	129.0	(21.3)	—	3.7	111.4
Deferred transaction costs	1.1	(0.6)	—	—	0.5
Pension and other long-term liabilities	11.9	0.4	—	—	12.3
Other	7.6	1.3	—	—	8.9
Deferred tax liabilities					
Accumulation Partners' contracts, customer relationships and trade names	(357.6)	42.4	—	(3.5)	(318.7)
Software and technology	(16.1)	(1.8)	—	—	(17.9)
Long-term investments	(3.5)	0.7	2.8	—	—
	(89.6)	**11.5**	**2.8**	**0.2**	**(75.1)**

At December 31, 2016, Aimia had the following operating tax losses available for carryforward, for which the deferred tax benefit has not been recorded in the accounts, which may be used to reduce taxable income in future years:

Country		Carryforward period
(i) United Kingdom		
losses available for carryforward	57.2	Indefinite
(ii) United States		
losses available for carryforward	10.5	2030
	32.9	2031
	25.7	2032
	36.9	2033
	10.6	2034
	16.1	2035
	14.9	2036
	147.6	

At December 31, 2016, Aimia had other deductible temporary differences of $81.0 million which may be used to reduce taxable income in future years and for which no deferred tax benefit has been recorded in the accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

CANADA REVENUE AGENCY NOTICE OF REASSESSMENT

On August 30, 2013, Aimia received a notice of reassessment from the Canada Revenue Agency (“CRA”) with respect to the taxation year ended December 31, 2008. The reassessment related to the timing of recognition for tax purposes of deferred revenues from Breakage. Aimia recognizes the deferred revenue from Breakage for tax purposes in the same manner as for accounting purposes. The CRA was of the view that Aimia should, for tax purposes, recognize all of its deferred revenue from Breakage in the year that it is billed. The impact of this reassessment was to increase taxable income at December 31, 2008 by $222.5 million, representing the deferred Breakage revenue balance reflected in the accounts at December 31, 2008, with a corresponding increase in current income tax liability of $54.0 million. Interest and penalties of $24.0 million were also assessed.

This difference in income inclusion for tax purposes versus the method adopted for accounting purposes represented a temporary difference which would give rise to a deferred income tax recovery asset of $43.0 million.

Management contested the reassessment through the CRA appeals procedures and, as required under the relevant tax laws, the Corporation issued a letter of credit to the CRA in the amount of $41.3 million to act as security for the reassessment.

Since management believed that it was more likely than not that its position would be sustained, no amounts related to the issue were recorded in the financial statements.

Management was successful in its objection to the above noted reassessment and on July 2, 2015, the CRA issued a new reassessment for the 2008 taxation year cancelling its previous reassessment and accepting Aimia's tax position as filed. The CRA also sent a copy of the new reassessment to Revenue Quebec (“RQ”).

On July 2, 2015, the CRA released the $41.3 million letter of credit and it was returned to Aimia and cancelled.

REVENUE QUEBEC NOTICE OF ASSESSMENT

On August 28, 2014, Aimia received a notice of assessment from RQ with respect to the taxation year ended December 31, 2008. This assessment followed the same tax treatment for deferred breakage as was assessed by the CRA and resulted in an increase in taxable income at December 31, 2008 for Quebec tax purposes of $222.5 million with a corresponding increase in current income tax liability of $13.6 million. Interest and penalties of $7.1 million were also assessed.

The difference in income inclusion for tax purposes versus the method adopted for accounting purposes represented a temporary difference which would give rise to a deferred income tax recovery asset of $15.6 million.

The appeal filed by management contesting the similar reassessment issued by CRA was recorded by RQ, and on September 16, 2014, as required under tax laws, the Corporation deposited $20.7 million with RQ to act as security for the assessment.

Following the successful objection process with the CRA, on September 25, 2015, RQ issued a reassessment for the 2008 taxation year cancelling its previous assessment and accepting Aimia's tax position as filed.

On October 1, 2015, the deposit of $20.7 million was refunded to the Corporation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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22. 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, 2016, Aimia's maximum exposure under such guarantees was estimated to amount to $94.6 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. The motion was heard on May 9 and 10, 2011 and Aeroplan was added as a potential defendant. In a judgment dated March 6, 2012, the Superior Court of Quebec authorized the motion for the petitioner to bring a class action. That motion was the first procedural step before any class action could be instituted. A notice of the judgment authorizing the class action was published on April 6, 2013.

On October 1, 2013, the petitioner served and filed its class action proceeding seeking to nullify the changes made to the mileage expiry and accumulation rules of the Aeroplan Program announced on October 16, 2006, reimbursement of any amounts 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. The parties have agreed upon a timetable for procedural matters leading up to readiness for trial.

Management has filed a strong defence to this class action lawsuit and believes that it is more likely than not that its position will be sustained. Consequently, no liability has been recognized in these financial statements. If the ultimate resolution of this class action lawsuit differs from this assessment and assumptions, a material adjustment to the financial position and results of operations could result.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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23. DIVIDENDS

Quarterly dividends declared to common shareholders of Aimia during the years ended December 31, 2016 and 2015 were as follows:

	2016 [(a)]		2015 [(b)]	
	Amount	Per common share	Amount	Per common share
March	29.0	0.19	30.6	0.18
June	30.4	0.20	30.7	0.19
September	30.5	0.20	30.2	0.19
December	30.4	0.20	29.5	0.19
Total	**120.3**	**0.79**	121.0	0.75

(a) On May 12, 2016, the Board of Directors of Aimia approved an increase to the common share dividend from $0.19 to $0.20 per share per quarter.

(b) On May 14, 2015, the Board of Directors of Aimia approved an increase to the common share dividend from $0.18 to $0.19 per share per quarter.

Quarterly dividends declared to preferred shareholders of Aimia during the years ended December 31, 2016 and 2015 were as follows:

	2016		2015	
	Amount	Per preferred share	Amount	Per preferred share
Series 1				
March	1.1	0.28125	2.8	0.40625
June	1.1	0.28125	1.1	0.28125
September	1.1	0.28125	1.1	0.28125
December	1.1	0.28125	1.1	0.28125
Total	**4.4**	**1.12500**	6.1	1.25000
Series 2				
March	0.8	0.264049	N/A	N/A
June	0.7	0.261811	0.8	0.263563
September	0.8	0.270281	0.8	0.278205
December	0.8	0.267831	0.8	0.259995
Total	**3.1**	**1.063972**	2.4	0.801763
Series 3				
March	2.3	0.390625	2.3	0.390625
June	2.4	0.390625	2.4	0.390625
September	2.3	0.390625	2.3	0.390625
December	2.4	0.390625	2.4	0.390625
Total	**9.4**	**1.562500**	9.4	1.562500

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On February 16, 2017, the Board of Directors of Aimia declared quarterly dividends of $0.20 per common share, $0.28125 per Series 1 preferred share, $0.262541 per Series 2 preferred share and $0.390625 per Series 3 preferred share, in each case payable on March 31, 2017.

24. 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, 2016		December 31, 2015	
	Number of shares	$	Number of shares	$
Opening balance	**154,631,754**	**1,369.8**	**171,984,343**	**1,521.8**
Shares repurchased under the normal course issuer bid program	(2,393,600)	(21.2)	(17,608,452)	(155.9)
Common shares issued upon exercise of stock options	56,457	0.6	255,863	3.9
Closing balance	**152,294,611**	**1,349.2**	**154,631,754**	**1,369.8**

NORMAL COURSE ISSUER BID

On May 13, 2014, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 15,530,762 of its issued and outstanding common shares during the period from May 16, 2014 to no later than May 15, 2015.

From May 16, 2014 to December 31, 2014, Aimia repurchased 2,069,790 common shares for a total consideration of $29.8 million. Of this total, 1,964,790 common shares were paid and cancelled during the period representing $28.3 million, with the remainder being paid and cancelled during the first quarter of 2015. Share capital was reduced by $18.3 million and the remaining $11.5 million was accounted for as a reduction of contributed surplus.

From January 1, 2015 to May 15, 2015, Aimia repurchased and cancelled 8,788,952 common shares for a total cash consideration of $117.8 million. Share capital was reduced by $77.8 million and the remaining $40.0 million was accounted for as a reduction of contributed surplus.

On May 14, 2015, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 16,346,860 of its issued and outstanding common shares during the period from May 20, 2015 to no later than May 19, 2016.

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From May 20, 2015 to December 31, 2015, Aimia repurchased 8,819,500 common shares for a total consideration of $105.5 million. Of this total, 8,538,100 common shares were paid and cancelled during the period representing $102.8 million, with the remainder being paid and cancelled during the first quarter of 2016. Share capital was reduced by $78.1 million and the remaining $27.4 million was accounted for as a reduction of contributed surplus.

From January 1, 2016 to February 4, 2016, Aimia repurchased 2,393,600 common shares (all of which were paid and cancelled during the first quarter of 2016) for a total consideration of $21.8 million. Share capital was reduced by $21.2 million and the remaining $0.6 million was accounted for as a reduction of contributed surplus.

On May 12, 2016, Aimia received approval from the Toronto Stock Exchange for the renewal of its NCIB to purchase up to 11,153,635 of its issued and outstanding common shares during the period from May 20, 2016 to no later than May 19, 2017.

There were no shares repurchased after February 4, 2016.

PREFERRED SHARES:

Issued and outstanding	December 31, 2016		December 31, 2015	
	Number of shares	$	Number of shares	$
Opening balance	**12,900,000**	**315.8**	**12,900,000**	**315.8**
Closing balance	**12,900,000**	**315.8**	**12,900,000**	**315.8**
Represented by:				
Preferred Shares, Series 1	3,953,365	96.7	3,953,365	96.7
Preferred Shares, Series 2	2,946,635	72.1	2,946,635	72.1
Preferred Shares, Series 3	6,000,000	147.0	6,000,000	147.0

PREFERRED SHARES, SERIES 1 AND PREFERRED SHARES, SERIES 2

On February 27, 2015, Aimia announced that it would not be exercising its right to redeem all or part of the Series 1 Preferred Shares on March 31, 2015. As a result and subject to certain conditions, the holders of the Series 1 Preferred Shares had the right to convert all or part of their Series 1 Preferred Shares, on a one-for-one basis, into Series 2 Preferred Shares on March 31, 2015.

On March 31, 2015, the holders of 2,946,635 Series 1 Preferred Shares exercised their option to convert their Series 1 Preferred Shares into an equivalent number of Series 2 Preferred Shares. Holders of the Series 2 Preferred Shares are entitled to receive quarterly floating rate, cumulative, preferential cash dividends, calculated on the basis of the actual number of days elapsed in such quarterly period divided by 365, as and when declared by the Board of Directors of Aimia, subject to the provisions of the Canada Business Corporations Act (the “CBCA”). The dividend rate for the floating rate period from and including December 31, 2016 to, but excluding March 31, 2017, will be 4.259%, being 3.75% over the 90-day Government of Canada Treasury Bill yield, as determined in accordance with the terms of the Series 2 Preferred Shares.

With respect to the remaining 3,953,365 Series 1 Preferred Shares outstanding after March 31, 2015, holders of the Series 1 Preferred Shares are entitled to receive quarterly fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors of Aimia, subject to the provisions of the CBCA. The dividend rate for the five-year

period from and including March 31, 2015 to, but excluding March 31, 2020, will be 4.5%, being 3.75% over the five-year Government of Canada bond yield, as determined in accordance with the terms of the Series 1 Preferred Shares.

PREFERRED SHARES, SERIES 3

On January 15, 2014, pursuant to a prospectus supplement dated January 8, 2014, Aimia issued 6,000,000 Cumulative Rate Reset Preferred Shares, Series 3 (the "Series 3 Preferred Shares"), including 1,000,000 Series 3 Preferred Shares that were issued upon the exercise in full of the underwriters' option to purchase additional shares, for total cash consideration of $146.0 million, net of issue costs of $4.0 million. Additionally, a related income tax recovery of $1.0 million was recorded. Holders of the Series 3 Preferred Shares will be entitled to receive, as and when declared, a cumulative quarterly fixed dividend yielding 6.25% annually for the initial five-year period, subject to a rate reset on March 31, 2019 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.20%. The net proceeds of the issue were used by Aimia to supplement its financial resources and for general corporate purposes.

Holders of Series 3 Preferred Shares will have the right, at their option, to convert their shares into cumulative floating rate preferred shares, series 4 (the “Series 4 Preferred Shares”), subject to certain conditions, on March 31, 2019 and on March 31 every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive cumulative quarterly floating rate dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.20%.

B) STOCK-BASED COMPENSATION

Total stock-based compensation expense for the years ended December 31, 2016 and 2015:

	Years Ended December 31,	
	2016	2015
Stock options compensation	3.6	5.5
PSU and RSU compensation	4.6	1.9
DSU compensation	1.4	(1.4)
Total stock-based compensation expense	**9.6**	**6.0**

Aimia Long-Term Incentive Plan and Share Unit 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:

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	December 31,	
	2016	2015
Compensation expense relating to the options granted (millions)	$ 1.3	$ 2.3
Number of stock options granted	2,620,488	3,015,483
Weighted average fair value per option granted ($)	$ 1.26	$ 1.78
Aggregate fair value of options granted (millions)	$ 3.3	$ 5.4
Weighted average assumptions:		
Share price	$ 8.58	$ 13.31
Exercise price	$ 8.58	$ 13.31
Risk-free interest rate	0.78%	0.97%
Expected volatility	28.86%	25.90%
Dividend yield	8.66%	5.50%
Expected option life (years)	5.25	5.25
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 expected option life period.

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

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding - Beginning of year	**9,837,984**	**14.49**	**7,973,093**	**14.96**
Granted	2,620,488	8.58	3,015,483	13.31
Exercised	(56,457)	8.47	(255,863)	11.89
Forfeited	(957,396)	13.86	(597,920)	15.42
Expired	(972,528)	14.16	(296,809)	15.37
Options outstanding - end of year	**10,472,091**	**13.13**	**9,837,984**	**14.49**
Options exercisable - end of year	**5,201,537**	**14.16**	**4,090,081**	**13.73**

The weighted average share price at the date of exercise for the share options exercised in 2016 was $8.73 (2015: $13.52).

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The details of options outstanding and exercisable at December 31, 2016 are as follows:

	Options Outstanding		Options Exercisable		
Year granted	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Expiration Date
2010	355,124	10.85	355,124	10.85	2017
2010	102,875	11.37	102,875	11.37	2017
2011	793,293	12.79	793,293	12.79	2018
2011	61,500	12.11	61,500	12.11	2018
2012	1,258,956	12.50	1,258,956	12.50	2019
2012	105,000	14.52	105,000	14.52	2019
2012	70,000	14.33	70,000	14.33	2019
2013	1,205,832	15.62	904,113	15.62	2020
2013	43,238	15.75	32,427	15.75	2020
2013	10,000	18.55	7,500	18.55	2020
2014	1,865,937	18.16	947,176	18.16	2021
2015	2,181,208	13.30	563,573	13.30	2022
2016	2,135,278	8.70	—	—	2023
2016	283,850	7.60	—	—	2023
	10,472,091	**13.13**	**5,201,537**	**14.16**	

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

	PSU		RSU	
December 31,	2016	2015	2016	2015
Number of units outstanding - beginning of year	**2,096,134**	**1,635,969**	**23,026**	**—**
Units granted during the year	1,635,884	970,236	207,643	22,073
Units forfeited during the year	(568,520)	(165,350)	(41,526)	—
Units settled during the year	(436,154)	(406,860)	(4,631)	—
Dividends paid in units during the year	234,429	62,139	18,389	953
Number of units outstanding - end of year	**2,961,773**	**2,096,134**	**202,901**	**23,026**
Weighted average fair value per unit on date of grant ($)	$ 8.62	$ 13.21	$ 8.40	$ 12.00

The PSUs and RSUs vest 3 years after the grant. The PSUs are subject to performance conditions.

Aimia Deferred Share Unit Plan

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

	DSU	
December 31,	2016	2015
Number of units outstanding - beginning of year	**490,000**	**445,269**
Units granted during the year	129,454	49,660
Units forfeited during the year	—	—
Units settled during the year	(14,147)	(33,979)
Dividends paid in units during the year	55,805	29,050
Number of units outstanding - end of year	**661,112**	**490,000**
Weighted average fair value per unit on date of grant ($)	$ 8.45	$ 12.03

The DSUs vest over 4 years or immediately for eligible employees, while those granted to directors are not subject to vesting conditions. DSUs are payable only upon termination of service. At December 31, 2016, the intrinsic value of vested DSUs amounted to $5.9 million (2015: $4.6 million).

25. ACQUISITION OF NON-CONTROLLING INTERESTS

On March 20, 2016, Aimia acquired the remaining 40% of the issued shares of Aimia Middle East Free Zone LLC (“Aimia Middle East”) (formerly known as Rewards Management Middle East Free Zone LLC or RMMEL), the company that owns and operates the Air Miles Middle East program, for cash consideration of $8.3 million (US$6.4 million) which will be payable in three annual installments commencing February 2017. In addition, an amount is to be paid by Aimia or received from the seller on the basis of the financial performance of Aimia Middle East for each of the next three years. The fair value of the contingent consideration payable (*Note 28*) on the acquisition date was estimated at $5.1 million (US$3.9 million). Furthermore, an amount of $22.0 million (US$16.9 million), representing the seller's share of surplus working capital in the business as of the date of the transaction's completion, was accrued on the acquisition date and was paid to the seller on April 5, 2016. The carrying amount of the non-controlling interest in Aimia Middle East on the date of acquisition was $11.8 million. As a result of the acquisition, the Corporation derecognized the non-controlling interest and recorded a decrease to retained earnings of $23.6 million.

In addition, Aimia acquired the remaining issued shares in an Indian subsidiary for a negligible amount. As a result of the acquisition, the Corporation derecognized the non-controlling interest and recorded a decrease to retained earnings of $0.5 million.

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26. 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,	
2017	19.6
2018 to 2021	58.4
Thereafter	54.0
Total	**132.0**

During the year ended December 31, 2016, an expense of $25.1 million was recognized as an expense in earnings in respect of operating leases (2015: $31.7 million).

B) OPERATING COMMITMENTS AND OTHER

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

Technology infrastructure and other	208.6
Marketing support and other	181.3

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, 2016, Aimia complied with all such covenants.

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27. 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, 2016 and 2015 is calculated as follows:

	December 31,	
	2016	2015
Cash and cash equivalents	(293.0)	(482.2)
Short-term investments	(80.4)	(54.6)
Long-term investments in corporate and government bonds	(226.0)	(253.6)
Long-term debt (including current portion)	448.3	647.3
Share Capital	1,665.0	1,685.6
Contributed surplus	1,153.2	1,150.4
Deficit	(2,743.2)	(2,518.0)
Total capital	**(76.1)**	174.9

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

- the leverage ratio, defined as debt to Adjusted EBITDA;
- the debt service ratio, defined as net 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).

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Aimia uses Adjusted EBITDA, Adjusted Net Earnings and Free Cash Flow as measurements to monitor operating 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, 2016 amounted to $300.0 million and is included in short-term investments and long-term investments (*Note 12*).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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

28. 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, investments in equity instruments (not subject to significant influence), investments in convertible notes, accounts payable and accrued liabilities, contingent consideration payable 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.

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 and short-term investments, 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, 2016, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
	2016	2015
Variable rate instruments		
Cash and cash equivalents, restricted cash and short-term investments	**393.7**	556.0

For the year ended December 31, 2016, management has determined that a 1% variance in the interest rates on the cash and cash equivalents, restricted cash and short-term investments would have an impact of approximately $3.9 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, 2015.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2016, Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable and long-term investments in corporate and government bonds.

In accordance with its investment policy, Aimia invests the Reserve and excess cash, included in short-term investments, long-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, 2016, the Reserve and excess cash are invested in bankers' acceptances, corporate, federal and provincial government bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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With respect to accounts receivable, Aimia is exposed to a concentration of credit risk on the Accumulation Partners, as identified in *Note 4*. 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, 2016, Aimia had issued Senior Secured Notes in the amount of $450.0 million maturing at various dates through May 17, 2019. In addition, Aimia had authorized and available credit facility of $300.0 million under its revolving facility, maturing on April 23, 2020. The revolving facility is provided by a syndicate that consists of eight institutional lenders. It is Aimia's intention to renew or replace credit facilities as they come due or earlier if credit market conditions permit. Aimia also had outstanding letters of credit totaling approximately $9.6 million (of which $9.5 million were issued against the revolving facility) at December 31, 2016 issued as security in the normal course of business.

At December 31, 2016, maturities of the financial liabilities are as follows:

	Total	2017	2018	2019	2020	2021	Thereafter
Long-term debt including interest	501.3	23.7	219.3	258.0	0.3	—	—
Accounts payable and accrued liabilities (excluding current portion of base and contingent consideration payable)	392.3	392.3	—	—	—	—	—
Base and contingent consideration payable (including current and non-current portions)	13.3	3.3	4.5	5.5	—	—	—
Total	**906.9**	**419.3**	**223.8**	**263.5**	**0.3**	**—**	**—**

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, 2016, Aimia held net financial assets denominated in pound sterling of approximately £52.7 million. A 1% variance in the pound sterling foreign exchange rate would result in an approximate variance of $0.9 million in 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, 2015.

In addition, the operating results of Aeroplan within the Americas Coalitions segment are sensitive to fluctuations in the Canada/U.S. dollar exchange rate as it incurs a portion of its cost of rewards in U.S. dollars, which is mitigated in part by revenue generated in the same currency. A 1% variance in the U.S dollar foreign exchange rate would have a net impact of approximately $1.0 million on earnings before income taxes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

	Hierarchy	December 31, 2016	December 31, 2015
Financial assets			
Investments in equity instruments (*Note 10*)	Level 3	**76.9**	128.2
Investments in convertible notes (*Notes 5 & 10*)	Level 3	**39.2**	—
Financial liabilities			
Contingent consideration payable - Smart Button	Level 3	**—**	2.1
Contingent consideration payable - Aimia Middle East (*Note 25*)	Level 3	**4.7**	—

The fair value of the investments in equity instruments is determined using a market approach including a valuation technique based on the transaction price of recent transactions carried out by other investors involving similar instruments and comparison of financial indicators for similar companies. The value determined is then adjusted for, as deemed necessary, changes in market conditions, the performance of the investee and the passage of time. This approach requires management to use judgement in identifying similar transactions, instruments and companies and to make estimates in determining the fair value of such instruments. Actual results could differ from such estimate.

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During the year ended December 31, 2016, on the basis of the valuation performed by management using financial indicators for similar companies, fair value losses amounting to $46.6 million were recorded in other comprehensive income for the investment in Cardlytics. No adjustment to the fair value of the investment in Cardlytics was recorded during the year ended December 31, 2015.

The fair value of the investments in convertible notes was determined using an expected value model. No adjustment to the fair value of the investments convertible notes was recorded during the year ended December 31, 2016.

The fair value of the investment in Air Canada Class B shares was based on the quoted price of the publicly traded shares prior to their disposal during the second quarter of 2015. During the year ended December 31, 2015, a fair value gain of $0.8 million was recorded in other comprehensive income.

The fair value of the contingent consideration payable related to the Smart Button acquisition was determined on the basis of management's best estimate and could represent a maximum of US$5.0 million. During the second quarter of 2015, a fair value adjustment of $0.6 million was recorded in general and administrative expenses as a reduction to the contingent consideration. During the third quarter of 2015, an amount of $1.8 million (US$1.4 million), representing 50% of the estimated contingent consideration, was paid to the selling shareholders on the second anniversary of the acquisition. The remainder, representing an amount of $1.9 million (US$1.5 million), was paid during the third quarter of 2016 on the third anniversary of the acquisition.

The fair value of the contingent consideration payable related to the acquisition of the non-controlling interest in Aimia Middle East was determined on the basis of management's projected financial performance of the business in each of the next three years and represents management's best estimate. During the fourth quarter of 2016, a fair value adjustment of $0.6 million was recorded in general and administrative expenses as a reduction to the contingent consideration.

The carrying amounts reported in the balance sheet for cash and cash equivalents, restricted cash, short-term investments, accounts 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 is estimated as being the quoted market value for the publicly traded debt securities while the fair value of investments in corporate and government bonds is based on the quoted market price of the investments.

Aimia’s long-term investments in corporate and government bonds and long-term debt, which are measured at amortized cost, and the fair value thereof, are as set out in the following table.

		December 31, 2016		December 31, 2015	
	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	306.4	311.8	308.2	316.8
Long-term debt (including current portion)	Level 1	448.3	458.9	647.3	673.6

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OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial liabilities	Amounts offset			Amounts not offset	Net
	Gross liabilities	Gross assets offset	Net amounts presented	Financial assets	
December 31, 2016					
Accounts payable and accrued liabilities [(a)]	457.0	(61.4)	395.6	—	395.6
Provisions [(b)]	5.4	—	5.4	(5.4)	—
December 31, 2015					
Accounts payable and accrued liabilities [(a)]	606.8	(59.5)	547.3	—	547.3
Provisions [(b)]	6.0	—	6.0	(6.0)	—

Financial assets	Amounts offset			Amounts not offset	Net
	Gross assets	Gross liability offset	Net amounts presented	Financial liabilities	
December 31, 2016					
Accounts receivable [(a)(b)]	348.1	(61.4)	286.7	(5.4)	281.3
December 31, 2015					
Accounts receivable [(a)(b)]	529.3	(59.5)	469.8	(6.0)	463.8

(a) Under the terms of a contractual agreement with Air Canada, Aimia Canada Inc. has a right of offset in the normal course of business for amounts relating to Gross Billings and rewards purchases as described under the section entitled *Contractual and Commercial Practices with Air Canada (Note 4)*.

(b) Under the terms of a contractual agreement with TD, Aimia Canada Inc. has a right of offset in the case of contract termination.

29. RELATED PARTIES

ULTIMATE CONTROLLING PARTY

During the year ended December 31, 2016, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 LTIP (performance share units granted prior to 2015 and stock options), the SUP (performance share units granted in or after 2015) and DSU Plan (deferred share units). Directors participate in the DSU Plan.

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

	Years Ended December 31,	
	2016	2015
Director compensation, and key management salaries and benefits [(a)]	**11.4**	12.2
Post-employment benefits	**0.5**	0.5
Share-based compensation	**4.6**	2.2
Termination benefits	**0.8**	—
Total	**17.3**	14.9

(a) Salaries and benefits include short-term incentive compensation.

In addition to the above amounts, the Corporation is committed to pay incremental benefits to certain members of key management up to $10.0 million in the event of a termination without cause or up to $22.3 million in the event of a termination resulting from a change in control.

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.

OTHER RELATED PARTY TRANSACTIONS

The International Coalitions segment recorded revenue of $9.2 million relating to services rendered to i2c during the year ended December 31, 2016 (2015: $10.4 million). At December 31, 2016, an amount of $10.8 million was receivable from i2c (December 31, 2015: $11.7 million).

Within Corporate and Other, the business recorded $6.5 million (US$4.9 million) in revenue related to consulting services rendered to PLM during the year ended December 31, 2016 (2015: $6.7 million (US$4.9 million)).

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30. ADDITIONAL FINANCIAL INFORMATION

The following sections provide additional information regarding certain primary financial statement captions:

A) STATEMENTS OF FINANCIAL POSITION

DISPOSAL GROUP HELD FOR SALE

During the fourth quarter, the Corporation determined that the U.S. CEL business was no longer core to its operations and thus, with the approval of the board of directors, is looking to dispose of the business within the next 12 months. Accordingly, the assets and liabilities related to the U.S. CEL business have been presented as held for sale (*Note 31*).

Impairment charges of $12.8 million (included in operating expenses) were recorded during the fourth quarter of 2016 to reduce the carrying amount of the disposal group to its fair value less costs of disposal. The impairment charges have been applied to reduce the carrying amount of goodwill within the disposal group.

Assets held for sale	
Accounts receivable	26.7
Prepaid expenses	21.8
Property and equipment	4.7
Software and technology	1.2
Accumulation partners' contracts and customer relationships	14.4
Goodwill	4.0
Total	**72.8**

Liabilities held for sale	
Accounts payable and accrued liabilities	22.6
Customer deposits	64.4
Deferred revenue	19.1
Pension and other long-term liabilities	2.2
Total	**108.3**

The non recurring fair value measurement for the disposal group is classified as level 3 in accordance with the fair value hierarchy described in *Note 28*.

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B) STATEMENTS OF CASH FLOWS

CHANGES IN OPERATING ASSETS AND LIABILITIES

	Years Ended December 31,	
	2016	2015
Restricted cash	**(1.3)**	10.6
Accounts receivable	**44.7**	48.1
Inventories	**5.7**	(1.5)
Prepaid expenses	**12.1**	(0.4)
Accounts payable and accrued liabilities	**(18.3)**	31.0
Customer deposits	**(1.9)**	2.6
Provisions	**(0.6)**	(44.0)
Pension and other long-term liabilities	**2.4**	0.3
Deferred revenue	**56.8**	7.3
Total	**99.6**	54.0

C) STATEMENTS OF COMPREHENSIVE INCOME

INCOME TAX EFFECTS

The defined benefit plans actuarial gains for the year ended December 31, 2016 were net of deferred income tax expenses of $0.9 million.

The changes in fair value of the Air Canada Class B shares (*Note 28*) for the year ended December 31, 2015 were net of a deferred income tax expense of $0.1 million.

The accumulated gain relating to the Air Canada Class B shares (*Note 4*) which was reclassified to net earnings during the second quarter of 2015 was net of a deferred income tax expense of $2.9 million.

There was no income tax effect related to the fair value adjustments recorded on the investment in Cardlytics (*Note 28*) during the year ended December 31, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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D) STATEMENTS OF CHANGES IN EQUITY

ACCUMULATED OTHER COMPREHENSIVE INCOME

	Currency translation adjustments on foreign subsidiaries		Available-for-sale investments		Total	
As at	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Opening balance	**106.5**	33.0	**70.2**	67.5	**176.7**	100.5
Foreign currency translation adjustments	**(84.8)**	73.5	**(4.8)**	20.6	**(89.6)**	94.1
Change in fair value of available-for-sale investments, net of tax	**—**	—	**(46.6)**	0.7	**(46.6)**	0.7
Reclassification to net earnings of gain on sale of available-for-sale investments, net of tax	**—**	—	**—**	(18.6)	**—**	(18.6)
Ending balance	**21.7**	106.5	**18.8**	70.2	**40.5**	176.7

31. SUBSEQUENT EVENTS

On February 14, 2017, the Corporation reached an agreement to sell the U.S. CEL business to CM Insights (*Note 30A*). The transaction is expected to close within the next 90 days.