AIMIA

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

AIMIA

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.

March 24, 2021

(signed) "Philip Mittleman"	*(signed) "Steven Leonard"*
PHILIP MITTLEMAN Chief Executive Officer	STEVEN LEONARD Chief Financial Officer

Independent auditor's report

To the Shareholders of Aimia Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aimia Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of operations for the years ended December 31, 2020 and 2019;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Initial measurement at fair value of the equity-accounted investment in Kognitiv Corporation *Refer to note 3 – Segmented information, and note 28 – Discontinued operations and disposal of business and other assets, to the consolidated financial statements.* On June 18, 2020, the Company lost control of its Loyalty Solutions business and related assets as it contributed those assets, as well as cash, in exchange for a 49.3% ownership interest in Kognitiv Corporation (Kognitiv). The fair value of the Company's investment in Kognitiv has been estimated at $88.7 million as at the date of the acquisition and is based on a combination of valuation techniques, including the discounted future cash flows generated from the new combined business and a market approach derived using a multiple of projected earnings. For the discounted future cash flows model, management determined key assumptions related to the revenue growth rate, the operating cash flows and capital expenditures, the discount rate and the terminal growth rate. For the market approach model, management determined key assumptions related to the projected earnings and the market multiple of projected earnings.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of the investment in Kognitiv, which included the following: – Tested the underlying data used by management in the discounted future cash flow model and the market approach model. – Evaluated the reasonableness of key assumptions used by management related to the revenue growth rate, the forecasted operating cash flows and capital expenditures by comparing them to relevant historical financial information and strategic plans approved by the Board of Directors of Kognitiv. – Professionals with specialized skill and knowledge in the field of valuation assisted in: ○ evaluating the appropriateness of the discounted future cash flows model and the market approach model prepared by management and tested the mathematical accuracy thereof.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significant judgment applied by management in estimating the fair value of the investment in Kognitiv, including the development of key assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	○ evaluating the reasonableness of the discount rate and terminal growth rate used in the discounted cash flow model and the market multiple of projected earnings used in the market approach model.
Valuation of the investment in Clear Media Limited *Refer to note 9 – Financial instruments, to the consolidated financial statements.* The Company has $69.0 million of equity investment in Clear Media Limited (Clear Media) as at December 31, 2020 that is measured at fair value through profit or loss. The equity investment, representing a 10.85% ownership interest in Clear Media, was acquired at prevailing market prices in May 2020. On July 14, 2020, the Stock Exchange of Hong Kong Limited suspended the trading of Clear Media's shares. As at December 31, 2020, management determined a fair value estimate using a market approach derived using a multiple of EBITDA, which requires the use of significant management judgment. The market approach model includes key assumptions related to the EBITDA of Clear Media, the expected recovery period to historical profitability, the EBITDA multiple and the discount rate.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair value estimate of the investment in Clear Media, which included the following: – Tested the underlying data used by management in the market approach model. – Evaluated the reasonableness of the EBITDA of Clear Media and the expected recovery period to historical profitability, by comparing them to Clear Media's historical financial information, its most recent published financial information and publicly available information on Clear Media's market. – Professionals with specialized skill and knowledge in the field of valuation assisted in ○ evaluating the appropriateness of the market approach model prepared by management and tested the mathematical accuracy thereof.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significant judgment applied by management in determining the fair value estimate of the investment in Clear Media, including the development of key assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	○ evaluating the reasonableness of the EBITDA multiple and the discount rate used in the market approach model.
Impairment testing of the equity-accounted investment in Kognitiv *Refer to note 2 – Summary of significant accounting policies, and note 10 – Equity-accounted investments, to the consolidated financial statements.* As at December 31, 2020, the carrying amount of the equity-accounted investment in Kognitiv amounted to $75.1 million. The carrying amount of equity-accounted investments is reviewed at each reporting date to determine whether there is any indication that the investment may be impaired. If any such indication exists, then the investment's recoverable value is estimated.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the recoverable value of the equity-accounted investment in Kognitiv, which included the following: – Tested the underlying data used by management in the discounted future cash flows model and the market approach model. – Evaluated the reasonableness of key assumptions used by management related to the revenue growth rate, the operating cash flows and capital expenditures and the projected EBITDA and revenues by comparing them to relevant historical financial information and strategic plans approved by the Board of Directors of Kognitiv.

Key audit matter	How our audit addressed the key audit matter
Due to the extension of travel restrictions which is causing delays in the execution of the initial business plan, Kognitiv has reported a net loss of $22.9 million since the transaction. The Company considered this to be an indication that the carrying amount of the equity-accounted investment in Kognitiv might be impaired and thus tested the investment for impairment. Based on the results of the impairment test, the carrying amount of the Kognitiv investment was determined to be lower than its recoverable value, and therefore no impairment has been recorded. The recoverable value was determined using a combination of valuation techniques, including the discounted future cash flows model based on the long-range plan prepared by Kognitiv management and a market approach model derived using multiples of projected EBITDA and revenues both of which exclude the assets sold in a transaction shortly after December 31, 2020 and the disposal price of such assets. For the discounted future cash flows model, management determined key assumptions related to the revenue growth rate, the operating cash flows and capital expenditures, the discount rate and the terminal growth rate. For the market approach model, management determined key assumptions related to the projected EBITDA and revenues and the market multiple of projected EBITDA and revenues. For the recent disposal transaction, management applied significant judgment in assessing that the disposal price of the assets was reflective of the value of those assets at December 31, 2020.	– Professionals with specialized skill and knowledge in the field of valuation assisted in: o evaluating the appropriateness of the discounted future cash flows model and the market approach model prepared by management and testing the mathematical accuracy thereof. o evaluating the reasonableness of the discount rate and the terminal growth rate used in the discounted future cash flows model and the multiples of projected EBITDA and revenues used in the market approach model. – Evaluated the recent disposal transaction by agreeing the disposal price of the assets to the signed contract and assessing whether the price was indicative of the value of the assets as at December 31, 2020, by considering activities related to the assets sold between that date and the date of the transaction.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significant judgment applied by management in estimating the recoverable value of the investment in Kognitiv, including the development of key assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the key assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mario Longpré.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 25, 2021

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[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, 2020	2019 (Restated - Note 2)
Income			
Share of net earnings (loss) of equity-accounted investments	Note 10	$ 1.4	$ 29.6
Net fair value gain on investments in equity instruments	Note 9	9.5	89.6
Interest income	Note 4	2.5	8.1
Revenue from investment management fees		0.9	—
		14.3	127.3
Expenses			
Compensation and benefits	Note 18	11.3	18.1
Professional, advisory and service fees		6.5	10.7
Technology and other office expenses		3.9	17.1
Fair value loss on contingent consideration	Note 27	0.9	—
Other financial expense (income), net	Note 4	0.9	(3.0)
Depreciation and amortization		1.0	0.1
		24.5	43.0
Earnings (loss) before income taxes		(10.2)	84.3
Income tax (expense) recovery			
Current	Note 19	(4.9)	(19.2)
Deferred	Note 19	—	—
		(4.9)	(19.2)
Net earnings (loss) from continuing operations		(15.1)	65.1
Net earnings from discontinued operations	Note 28A&B	11.0	1,047.3
Net earnings (loss)		$ (4.1)	$ 1,112.4
Weighted average number of shares		93,067,109	126,795,975
Earnings (loss) per common share			
Continuing operations - Basic and fully diluted	Note 6	$ (0.30)	$ 0.54
Discontinued operations - Basic and fully diluted	Note 6	0.12	8.26
	Note 6	$ (0.18)	$ 8.80

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions of Canadian dollars)		Years Ended December 31, 2020	2019
Net earnings (loss)		**$ (4.1)**	$ 1,112.4
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings (loss)			
Foreign currency translation adjustments		**(0.6)**	(6.7)
Reclassification to net earnings of cumulative translation adjustments related to businesses disposed of	Note 28A	**21.6**	—
Reclassification to net earnings of foreign currency differences	Note 9	**—**	(9.7)
Items that will not be reclassified subsequently to net earnings (loss)			
Defined benefit plans actuarial losses, net of tax		**(0.3)**	(0.3)
Other comprehensive income (loss)		**20.7**	(16.7)
Comprehensive income (loss)		**$ 16.6**	$ 1,095.7
Comprehensive income (loss):			
Continuing operations		**(15.4)**	50.1
Discontinued operations		**32.0**	1,045.6
		$ 16.6	$ 1,095.7

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *(in millions of Canadian dollars)*		December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	Note 2	$ **146.1**	$ 98.6
Restricted cash and cash held in escrow	Notes 28A & 28B	**0.5**	97.1
Short-term investments	Note 8	**18.7**	86.6
Income taxes receivable		**3.1**	—
Accounts receivable	Note 7	**4.0**	66.8
Inventories	Note 2	**—**	0.9
Prepaid expenses and deposits		**1.5**	18.2
Receivable from related party	Notes 25 & 28A	**4.6**	—
		178.5	368.2
Long-term assets			
Deferred income taxes	Note 19	**—**	5.9
Cash held in escrow	Note 28B	**—**	2.3
Long-term investments	Note 8	**72.4**	67.5
Equity-accounted investments	Note 10	**146.4**	74.6
Property and equipment	Notes 11 & 12	**—**	1.5
Intangible assets	Note 12	**1.8**	18.9
Goodwill	Note 12	**11.1**	—
Other long-term assets	Note 26B	**34.0**	32.9
		$ **444.2**	$ 571.8
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	Note 13	$ **3.5**	$ 60.9
Accounts payable to related party	Note 25	**0.9**	—
Income taxes payable	Notes 19 & 21	**—**	13.6
Provisions	Note 14	**—**	1.4
Customer deposits		**—**	19.9
Deferred revenue	Note 5	**—**	23.9
		4.4	119.7
Long-term liabilities			
Other long-term liabilities	Note 17	**8.5**	11.7
Deferred income taxes	Note 19	**—**	1.5
Deferred revenue	Note 5	**—**	3.3
		12.9	136.2
Total equity	Note 22	**431.3**	435.6
		$ **444.2**	$ 571.8
Contingencies and commitments	Notes 20 & 23		

Approved by the Board of Directors

(signed) Karen Basian
Karen Basian
Director

(signed) Jordan G. Teramo
Jordan G. Teramo
Director

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

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2020		Common shares outstanding		Share capital		Retained earnings (deficit)		Accumulated other comprehensive income (loss)		Contributed surplus		Total equity
(In millions of Canadian dollars, except share amounts)												
Balance, December 31, 2018		152,307,196	$	1,665.1	$	(3,139.5)	$	24.3	$	1,155.2	$	(294.9)
Change in accounting policy (IFRS 16)	Note 2					(10.8)						(10.8)
Balance, December 31, 2018 - restated		152,307,196	$	1,665.1	$	(3,150.3)	$	24.3	$	1,155.2		(305.7)
Total comprehensive income (loss)												
Net earnings						1,112.4						1,112.4
Other comprehensive income (loss):												
Foreign currency translation adjustments								(6.7)				(6.7)
Reclassification to net earnings of foreign currency differences	Note 9							(9.7)				(9.7)
Defined benefit plans actuarial losses, net of tax						(2.2)		1.9				(0.3)
Total comprehensive income (loss)		—		—		1,110.2		(14.5)		—		1,095.7
Transactions with owners, recorded directly in equity												
Common shares repurchased	Note 22	(58,458,961)		(0.4)						(246.9)		(247.3)
Preferred shares repurchased	Note 22			(84.7)						21.0		(63.7)
Dividends	Note 21					(43.6)						(43.6)
Reduction of stated capital account - common shares	Note 22			(1,348.3)						1,348.3		—
Accretion related to stock-based compensation plans										0.2		0.2
Total contributions by and distributions to owners		(58,458,961)		(1,433.4)		(43.6)		—		1,122.6		(354.4)
Balance, December 31, 2019		93,848,235	$	231.7	$	(2,083.7)	$	9.8	$	2,277.8	$	435.6
Balance, December 31, 2019		**93,848,235**	**$**	**231.7**	**$**	**(2,083.7)**	**$**	**9.8**	**$**	**2,277.8**	**$**	**435.6**
Total comprehensive income (loss)												
Net earnings (loss)						**(4.1)**						**(4.1)**
Other comprehensive income (loss):												
Foreign currency translation adjustments								**(0.6)**				**(0.6)**
Reclassification to net earnings of foreign currency differences	Note 28A							**21.6**				**21.6**
Defined benefit plans actuarial losses, net of tax						**(0.3)**						**(0.3)**
Total comprehensive income (loss)		**—**		**—**		**(4.4)**		**21.0**		**—**		**16.6**
Transactions with owners, recorded directly in equity												
Common shares issued - Business acquisition	Note 27	**3,072,628**		**4.4**						**—**		**4.4**
Common shares repurchased	Note 22	**(4,432,651)**		**(0.2)**						**(14.4)**		**(14.6)**
Dividends	Note 21					**(12.7)**						**(12.7)**
Contingent Common shares to be issued	Note 27									**1.9**		**1.9**
Accretion related to stock-based compensation plans										**0.1**		**0.1**
Total contributions by and distributions to owners		**(1,360,023)**		**4.2**		**(12.7)**		**—**		**(12.4)**		**(20.9)**
Balance, December 31, 2020		**92,488,212**	**$**	**235.9**	**$**	**(2,100.8)**	**$**	**30.8**	**$**	**2,265.4**	**$**	**431.3**

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)		Years Ended December 31, 2020	2019
CASH FLOWS FROM (USED IN)			
Operating activities			
Net earnings (loss)		**$ (4.1)**	$ 1,112.4
Adjustments for:			
Depreciation and amortization		**2.9**	4.5
Share-based compensation and other performance awards		**2.2**	5.0
Share of net (earnings) loss of equity-accounted investments		**(2.0)**	(31.4)
Net financial income		**(1.3)**	(11.4)
Income tax expense		**8.0**	17.4
Net fair value gain on investments in equity instruments		**(9.5)**	(89.6)
Fair value loss on contingent consideration	Note 27	**0.9**	—
Gain on sublease		**—**	(2.7)
Gain on disposal of businesses and other assets	Notes 28A & 28B	**(13.3)**	(1,063.1)
Changes in operating assets and liabilities	Note 26A	**(14.7)**	(92.5)
Other		**(0.6)**	(1.5)
		(27.4)	(1,265.3)
Cash used in operating activities before the following items:		**(31.5)**	(152.9)
Interest received		**3.0**	9.4
Distributions received from equity-accounted investments	Note 10	**19.1**	37.2
Proceeds from disposal of investments held for trading	Note 9	**58.8**	—
Purchases of investments held for trading	Note 9	**(61.1)**	—
Interest paid		**(0.3)**	(8.1)
Income taxes paid, net	Note 21	**(20.0)**	(3.5)
Net cash used in operating activities	Notes 28A & 28B	**(32.0)**	(117.9)
Investing activities			
Business acquisitions, net of cash acquired	Note 27	**(6.5)**	—
Net proceeds from (payments for) the disposal of businesses and other assets, net of cash disposed	Notes 28A & 28B	**(35.6)**	500.4
Restricted cash	Notes 15 & 28B	**73.8**	(107.7)
Cash held in escrow	Note 28B	**2.3**	(2.3)
Proceeds from disposal of corporate and government bonds	Note 9	**154.6**	291.8
Purchases of investments in corporate and government bonds	Note 9	**—**	(223.1)
Purchase of long-term investments in equity instruments	Note 9	**(79.8)**	—
Proceeds from disposal of long-term investments in equity instruments	Note 9	**—**	141.2
Net cash from investing activities		**108.8**	600.3
Financing activities			
Dividends	Note 21	**(12.7)**	(78.3)
Acquisition of non-controlling interest		**—**	(2.3)
Repurchase of common shares	Note 22	**(14.8)**	(247.2)
Repurchase of preferred shares	Note 22	**—**	(63.7)
Principal elements of lease payments		**(0.7)**	(1.2)
Repayment of the revolving facility	Note 15	**—**	(51.1)
Repayment of Senior Secured Notes	Note 15	**—**	(250.0)
Net cash used in financing activities		**(28.2)**	(693.8)
Net change in cash and cash equivalents		**48.6**	(211.4)
Translation adjustment related to cash		**(1.1)**	(1.9)
Cash and cash equivalents, beginning of period		**98.6**	311.9
Cash and cash equivalents, end of period		**146.1**	98.6

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 176 Yonge Street, Office 06-128, Toronto, Ontario, M5C 2L7.

The Corporation updated its corporate strategy during the year to become a holding company with a focus on long-term investments in public and private companies, on a global basis, through controlling or minority stakes.

Aimia, through its own operations and those of its subsidiaries, currently operates two reportable and operating segments, namely, Holdings and Investment Management (*Note 3 & 27*).

Holdings

Holdings includes Aimia's long-term investments comprised of a 48.9% equity stake in PLM, the owner and operator of Club Premier, a Mexican coalition loyalty program, a 48.9% equity stake in Kognitiv Corporation ("Kognitiv"), a B2B technology company enabling collaborative commerce, a 20% equity stake in BIGLIFE, the operator of BIG Rewards, AirAsia's loyalty program, a 10.85% stake in Clear Media Limited, an outdoor advertising firm in China as well as various minority investments in public securities.

Holdings also includes central operating costs, including costs related to public company disclosure and Board costs, executive leadership, finance and administration. Until their respective disposals, Aimia also held minority interests in Cardlytics and Fractal Analytics (*Note 9*).

Investment Management

Investment Management includes Mittleman Investment Management ("MIM") a SEC-registered investment adviser that provides discretionary portfolio management to institutional investors and high-net-worth individuals *(Note 27).*

Discontinued Operations (Note 28)

Discontinued operations include the results of Aimia's former Loyalty Solution segment until June 18, 2020, the date of the closing of the transaction with Kognitiv (*Note 28A*). Discontinued Operations also include the results of the Aeroplan coalition loyalty program and related assets until their disposal on January 10, 2019 (*Note 28B*).

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 March 24, 2021.

Impact of COVID-19 on the consolidated financial statements

Over the past months, we have seen the impact that the COVID-19 pandemic is having on human health, the global economy and associated government measures to curb the spread of the virus, which includes varying degrees of self-quarantine and border closures. Aimia has been addressing the COVID-19 situation, working to mitigate the potential impacts on our employees and business. The change in Aimia's corporate strategy to a holding company and our ability to work remotely to perform these activities has enabled Aimia to operate in this difficult environment without significant disruption.

However, the pandemic is impacting the operations of our investments or certain of their partners to various degrees, which are detailed below.

i. PLM Coalition Program

The PLM coalition program has been impacted by COVID-19. The most significant impact has been on Aeromexico, the airline partner of PLM due to unprecedented border closures and travel restrictions. As the activities of Aeromexico are reduced, the cash inflows of PLM are reduced given lower points accumulation by the program members who accumulate on Aeromexico flights. In addition, the pandemic has impacted businesses and consumers credit card spending which has adversely impacted cash inflows of the program. Partially offsetting these impacts are lower cash outflows due to a significant reduction in points redemption by the program members with respect to airline rewards and cost cutting initiatives put in place by PLM to mitigate the lower levels of operating margins generated.

On June 30, 2020, Aeromexico commenced proceedings under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") to implement a court supervised financial restructuring, while continuing to serve its customers. At this time, the financial restructuring of Aeromexico is still ongoing and it is too early to assess the final outcome for the receivables from Aeromexico that PLM holds. However, a $15.4 million (US$11.5 million) expected credit loss provision has been recorded in the results of PLM related to certain unsecured receivables from Aeromexico in the twelve months ended December 31, 2020, which impacted Aimia's share of net earnings from PLM.

In October 2020, the United States Bankruptcy Court approved on a final basis Aeromexico's Debtor-in-possession ("DIP") financing facility for up to US$1.0 billion, consisting of a senior secured Tranche 1 facility of US$200.0 million, and a senior secured Tranche 2 facility of US$800.0 million. In addition, the airline has since renegotiated terms with its suppliers, including aircraft lessors, and with its unionized labor forces to improve its cost structure and liquidity.

As long as various travel restrictions remain in place, Aimia anticipates reduced cash flows and net earnings for PLM compared to pre-pandemic levels as a result of the reduced air travel demand and capacity of Aeromexico. While Aimia cannot predict the full impact or exact timing for when these adverse conditions may improve, Aimia does not expect these conditions to be permanent. As such, Aimia does not expect the long-term profitability of the program to be affected significantly at this time. Consequently, taking into consideration that previous calculations show that the investment's recoverable value is significantly greater than its carrying amount, Aimia did not consider that the current pandemic nor Aeromexico's Chapter 11 proceedings would have eliminated that difference. This conclusion is based mainly on the following analysis and assumptions:

- PLM's carrying amount as of December 31, 2020 is $54.9 million, which is significantly lower than various valuation markers of that investment, including, but not limited to, previous independent appraisals, a previous unsolicited public offer to purchase the program which Aimia refused, as well as a 7 year option to purchase Aimia's 48.9% equity interest in PLM at a price of US$400 million for Aimia's equity interest or at an Adjusted EBITDA multiple of 7.5x, whichever is greater, plus Aimia's pro-rata share of cash held by PLM, net of any third party financial debt;
- While the airline is an important partner of the program, PLM is not an airline operator and does not have a similar fixed cost structure, nor is it solely dependent on Aeromexico to operate at pre-COVID-19 levels to generate positive earnings itself. For the year ended December 31, 2020, PLM reported net earnings of $30.2 million, including $26.1 million in the fourth quarter, despite the operations slowdown during the year and the expected credit loss stated above (refer to *Note 10*);
- The current carrying value of PLM represents an implied multiple of 2.8x of earnings before net financial expense and income tax expense, which is significantly lower than the Adjusted EBITDA multiple stated in the option granted to Aeromexico and comparable company multiples;
- Various operating metrics of Aeromexico have been showing a month over month recovery during the second half of 2020;
- Aimia currently expects that the court supervised financial restructuring will provide the airline additional liquidity and the ability to cut costs during this unprecedented reduction in airline travel, and that Aeromexico will exit Chapter 11 proceedings with an enhanced capital structure as a going concern.

Subsequent to December 31, 2020, the PLM board of directors approved a distribution of US$16.1 million, of which Aimia received its share of $9.8 million (US$7.9 million).

ii. BIGLIFE Coalition Program

The BIGLIFE coalition program has been impacted by COVID-19. The pandemic has significantly impacted the business of AirAsia Berhad, the anchor airline partner and majority shareholder of the BIGLIFE joint venture due to unprecedented border closures and travel restrictions. It has also significantly affected AirAsia X, the long haul carrier operating under the AirAsia banner and a program partner of BIGLIFE. As the activities of AirAsia are reduced, the cash inflows of BIGLIFE are reduced given lower points accumulation by the program members who accumulate on AirAsia flights. In addition, the pandemic has impacted businesses and consumers credit card spending which has adversely impacted cash inflows of the program. Partially offsetting these impacts are lower cash outflows due to a significant reduction in points redemption by the program members with respect to airlines rewards and cost cutting initiatives put in place by BIGLIFE to mitigate the lower levels of operating margins generated.

Both airline partners have announced financing plans to facilitate an injection of fresh equity in light of the liquidity constraints faced during these adverse conditions. At this time, AirAsia Berhad has raised MYR300.0 million in debt and undertook a private placement initiative for the issuance of up to 20% of the total number of issued shares of the company. The first and second tranches of that private placement were completed with AirAsia Berhad raising approximately MYR337.0 million. Aimia participated in the second tranche of the private placement and subscribed for 35.6 million of common shares for an amount of $9.4 million (US$7.5 million). Refer to *Note 29* for additional details. AirAsia Berhad has also taken steps to lower its costs structure through assets sales, renegotiated terms with its vendors and reduction in its workforce. These steps, along with expectations of further financing to be confirmed should provide AirAsia Berhad with sufficient liquidity until travel operations recover to sustainable levels.

Aimia anticipates reduced cash flows for BIGLIFE compared to pre-pandemic levels as a result of the reduced air travel demand and capacity of AirAsia Berhad and AirAsia X due to updated travel restrictions, which includes, but not limited to, the reinstatement of the Malaysian Government Movement Control Order in January and February 2021. Those challenges, along with the uncompleted financing initiatives of the airlines and recent delays in the expected recovery of the BIGLIFE operating activities have been considered an indication that the carrying amount of the investment in BIGLIFE might be impaired and thus, tested for impairment. Based on the results of the impairment test, the carrying amount of the BIGLIFE investment was determined to be lower than its recoverable value and therefore, no impairment has been recorded. Refer to *Note 10* for additional details. Subsequent to December 31, 2020, Aimia entered into a binding memorandum of understanding with AirAsia Berhad to sell Aimia's 20% investment in BIGLIFE in exchange of 85.9 million of new common shares of AirAsia Berhad. This agreement is subject to AirAsia Berhad's shareholders approval. As of March 24, 2021, those common shares had a value of approximately $29.3 million, which is significantly higher than BIGLIFE's carrying amount of $16.4 million at December 31, 2020. Refer to *Note 29* for additional details.

iii. Kognitiv

The Loyalty Solutions activities that Aimia contributed into Kognitiv (*Note 28A*) did not experience a significant reduction in business caused by COVID-19 mainly because of its diversified portfolio of clients, its business model centered around subscription-based loyalty platforms and its ability to deliver loyalty services to customers remotely. However, Kognitiv's services provided to the travel and hospitality industries have been impacted by the travel restrictions and border closures. This current environment was taken into account when Aimia recorded the investment in Kognitiv at fair value on June 18, 2020. However, the extension of travel restrictions is causing delays in the execution of the initial business plan. Kognitiv has reported a net loss of $(22.9) million since the transaction date, which Aimia's share of this net loss has impacted negatively the carrying amount of the investment. Aimia considered this to be an indication that Kognitiv's carrying amount might be impaired and thus tested the investment for impairment. Based on the results of the impairment test, the carrying amount of the Kognitiv investment was determined to be lower than its recoverable value and therefore, no impairment has been recorded. Refer to *Note 10* for additional details.

iv. Clear Media

Clear Media's revenues began to decline substantially in February 2020 amid the outbreak of COVID-19 which further slowed China's economic growth, negatively impacted customers' advertising spend and reduced demand for advertising space. In its March 17, 2021 Annual Results Announcement, Clear Media indicated that its revenue bottomed in March 2020 (prior to Aimia's investment in Clear Media) and that its revenue had been recovering in the second quarter of 2020. The recovery in total monthly revenue continued in the third and fourth quarter of 2020. Total revenue in the fourth quarter of 2020 also slightly exceeded the level of the same period in the prior year. Clear Media further indicated that, in the absence of any significant recurrence of COVID-19 pandemic or adverse macro-economic development, the 2021 total revenue is expected to be materially more than in 2020. The investment in the equity instruments of Clear Media is recorded at fair value at each reporting period. The assumptions and estimates used in the valuation of Clear Media are described in *Note 9*.

Aimia continues to monitor the COVID-19 impacts on its investments closely.

(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 8 & 9*);
- Liabilities for cash-settled share-based payment arrangements are measured at fair value (*Notes 13 & 17*);
- Contingent consideration related to business acquisition is measured at fair value (*Note 27*);
- 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. The Corporation lost control over this defined benefits pension plan in the Kognitiv transaction (*Note 28A*).

(c) Presentation Currency

These consolidated financial statements are expressed in Canadian Dollars.

(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 assumptions, judgements and estimation with a significant risk of resulting in material adjustments within the next year are included within the following notes:

- Impact of COVID-19 on the value of certain of Aimia's investments. Refer to section (*Note 2(a)*) above;
- Measurement of the fair value of the investment in Clear Media *(Note 9*);
- Income Taxes *(Notes 2, 19 & 28B)*;
- Impairment considerations on long-lived assets *(Note 12)*;
- Contingent Liabilities *(Note 20).*

The Corporation also made significant assumptions, judgements and estimations for the measurement of the initial investment in Kognitiv and for the measurement of the contingent consideration associated with the purchase of Mittleman Brothers, which are included in *Note 28A* and *Note 27*, respectively.

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.

The Corporation had the following significant subsidiaries at December 31, 2020:

Name	Nature of business	Country of incorporation and place of business	Proportion of ownership held directly by Aimia Inc. (%)	Proportion of ownership by the group (%)
Aimia Holdings UK Limited	Holding company	United Kingdom	100	
Aimia Holdings UK II Limited	Holding company	United Kingdom	100	
Aimia Holdings US Inc.	Holding company	United States	100	
Mittleman Investment Management	Investment Management	United States		100

Investments in Associates and Joint Arrangements (Note 10)

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.

When the Corporation contributes a controlled business to a joint venture or associate or, when it loses control over a business but retains a significant influence in the investment either as a joint venture or associate, the Corporation recognizes a full gain under the IFRS 10 - *Consolidated Financial Statements* approach. IFRS 10 requires the retained interest in an associate or joint venture to be measured at fair value, with the full disposal gain recognized in the income statement. The Corporation recorded the gain on the Kognitiv investment using this approach (*Note 28A*).

The Corporation had the following significant investments in associates and joint arrangements at December 31, 2020:

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	Holdings	Mexico	48.9	Equity
BIGLIFE Sdn Bhd ("BIGLIFE")	Coalition Loyalty	Joint venture	Holdings	Malaysia	20.0	Equity
Kognitiv Corporation ("Kognitiv")	B2B Technology	Associate	Holdings	Canada (worldwide operations)	48.9	Equity

REVENUE RECOGNITION

Investment Management

Through MIM, Aimia derives investment management fees providing discretionary portfolio management to institutional and high-net-worth investors. Management fees are calculated based on a percentage of assets under management and are usually payable quarterly. Aimia recognizes this revenue on an over time basis, as the services are provided.

Discontinued operations - Loyalty Services (Note 28A)

Aimia derived loyalty services fees by providing clients with loyalty strategy, program design, implementation, campaign, data analytics and insights, customers segmentation and rewards fulfillment. Aimia also deployed loyalty platforms as part of its loyalty solutions. These loyalty services often involved deliveries of multiple services and products (our performance obligations) that occur at different points in time and/or over different periods of time. As those performance obligations are often customized to our clients' needs, specific transaction prices are determined for each of the performance obligations. These loyalty services fees are included in Gross Billings and relevant revenue recognition policies are then applied, so that revenue is recognized when, or as, we satisfy the performance obligations. The Corporation considered that the setup and implementation activities, licenses granting access to clients to our platforms and other loyalty services are separate performance obligations from one another. Setup and implementation activities are recognized on a point in time basis, upon completion and client acceptance. Platforms licensing revenues are recognized over time based on the length of the contract. The other loyalty services can be recognized either on a point in time or over time basis, depending on the specific nature of the performance obligations. Aimia determined that it acted as an agent when rendering certain rewards fulfillment services. Therefore, the direct costs associated to these services, which were paid to external suppliers and recharged directly to clients, were recorded as a reduction to revenue, with only the margin being recognized as revenue.

Discontinued operations - Loyalty Units (Note 28A)

Aimia also derived its cash inflows from the sale of “Loyalty Units”, which were defined as the miles, points or other loyalty program reward units issued under the respective programs owned and 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. These Gross Billings were 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. The Breakage estimate of the Air Miles Middle East program at December 31, 2019 and up until the Kognitiv transaction was 30%.

Cost of rewards representing the amount paid by Aimia to Redemption Partners is accrued when the member redeems the Loyalty Units. For the Air Miles Middle East program, Aimia determined that it acted as an agent in the delivery of the reward to the member. As such, the expense charged by the supplier was reclassified from the deferred revenue to offset the cost of rewards, with only the margin being recognized as revenue.

EMPLOYEE FUTURE BENEFITS

Defined Contribution

Substantially all Aimia employees 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.

LEASES

Aimia acts as a lessee

For any new contracts entered into, the Corporation considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Corporation assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Corporation has the right to direct the use of the identified asset throughout the period of use.

At lease commencement date, the Corporation recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Corporation, an estimate of any costs to dismantle or restore the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, net of any incentive received.

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the lease term. The Corporation also assess the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Corporation's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that Aimia would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. After the Kognitiv transaction (*Note 28A*), and as of December 31, 2020, the Corporation has no more lease liabilities (as of December 31, 2019, the weighted average incremental borrowing rate applied to lease liabilities recognized was 8.9%).

Lease payments included in the measurement of the lease liability are made up of fixed payments (including payments that are, in substance, fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Corporation has elected to account for short-term leases and leases of low-value assets using the practical expedients. As a result, instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. As at December 31, 2020, the Corporation had contracted short-term leases for office spaces only.

As of December 31, 2019, the short-term and long-term portions of the lease liabilities have been included on the statement of financial position in accounts payable and accrued liabilities, and other long-term liabilities, respectively.

Discontinued operations - Aimia acts as an intermediate lessor

Aimia acts as an intermediate lessor when it subleases a portion of the office spaces it is currently leasing. During the three months ended September 30, 2019, Aimia entered in a sublease agreement for one office space. When the Corporation is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. The net investment in the lease is the gross investment in the lease discounted using the discount rate used to record the lease liability associated with the head lease. The gross investment in the lease is the sum of (1) lease payments receivable by the Corporation under the finance lease, and (2) any unguaranteed residual value accruing to the Corporation. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

After the Kognitiv transaction (*Note 28A*), and as of December 31, 2020, the Corporation has no more finance lease.

Adoption of IFRS 16 Leases

IFRS 16 had been applied using a modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the period ended December 31, 2019.

For contracts in place at the date of initial application, being January 1, 2019, Aimia elected to apply the definition of a lease from IAS 17 and related interpretations and had not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and related interpretations.

At the date of initial application, Aimia elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments that existed at the date of transition. On transition, Aimia applied the optional exemptions to not recognize the right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term for every lease previously accounted for as an operating lease with a remaining lease term of less than 12 months, with the exception of its prepaid rent related to its operations in the UK. Due to impairment charges recognized in the past years in the businesses in which the Corporation had contracted leases, the Corporation made the assessment that all of its right-of-use assets would be impaired on transition to IFRS 16. As a results, the right-of-use assets were impaired immediately in the 2019 opening equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following is a reconciliation of total operating lease commitments as at December 31, 2018 to the lease liabilities recognized as at January 1, 2019:

Total operating lease commitments as at December 31, 2018	10.0
Recognition exemptions - selected leases with remaining term of less than 12 months	(1.1)
Other minor adjustments relating to commitment disclosures	(0.1)
Operating lease liabilities before discounting	**8.8**
Discounting using incremental borrowing rate	(2.7)
Total lease liabilities recognized under IFRS 16 as at January 1, 2019	**6.1**

The following is a summary of the impact of transition to IFRS 16 at January 1, 2019:

Retained earnings (deficit) as at December 31, 2018	(3,139.5)
Impaired right-of-use asset related to prepaid rent	(4.7)
Lease liabilities	(6.1)
Retained earnings (deficit) as at January 1, 2019	**(3,150.3)**

INCOME TAXES

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

GOVERNMENT ASSISTANCE

Discontinue operations - Research and development tax credits

Research and development tax credits received and receivable from governments were accounted for as government assistance and were recognized by the Corporation when there was a reasonable assurance that the entity would comply with relevant conditions and that the tax credits would be received. The tax credits were recognized as a reduction of the related expense or cost of the asset acquired that they were intended to compensate. For the year ended December 31, 2020, the Corporation recognized $2.4 million of tax credits (2019: nil).

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 consolidated statement of financial position. Gains and losses are included in other financial expense on the consolidated statements of operations. 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 consolidated statement of financial position date. Revenues and expenses are translated at the average rates for the year. Translation gains or losses are recognized in other comprehensive income and included in accumulated other comprehensive income.

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

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

FINANCIAL INSTRUMENTS

Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognized when they are originated. Regular way purchases of equity instruments are recognized using the settlement date, which is the date that the equity instruments are delivered to the Corporation. All other financial assets and financial liabilities are initially recognized when the Corporation becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value thought profit and loss ("FVPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification

Aimia has classified its financial instruments as follows:

	Classification			
Financial instrument	Amortized cost	Fair value through profit and loss ("FVPL")	Fair value through other comprehensive income ("FVOCI") - debt	Fair value through other comprehensive income ("FVOCI") - equity
Measured at amortized cost				
Cash and cash equivalents and restricted cash	X			
Accounts receivable and receivable from related party	X			
Investments in corporate and government bonds	X			
Accounts payable and accrued liabilities	X			
Measured at fair value				
Investments in equity instruments [(a)]		X		
Contingent consideration payable		X		

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

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVPL. The classification of financial assets is based on an entity's business models and the financial asset's contractual cash flow characteristics. Business models are reassessed periodically and contractual cash flows characteristics are assessed to determine whether they are solely payments of principal and interest. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Corporation may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Presentation of investment in equity instruments

The Corporation's strategy is to focus on long-term investments in public and private companies, on a global basis, through controlling or minority stakes. Therefore, the investments in equity instruments not subject to significant influence are presented as long-term assets on the consolidated statement of financial position and the associated cash flows are presented as investing activities, unless those investments are considered held for trading.

Investments in equity instruments are considered held for trading when:

- they are acquired or incurred principally for the purpose of selling them in the near term;
- on initial recognition, they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Investments in equity instruments that are held for trading are presented as current assets on the consolidated statement of financial position and the associated cash flows are presented as operating activities. Management designate investments in equity instruments as held for trading at initial recognition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Subsequent Measurement and Gains and Losses

Financial assets	
Amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
FVPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial liabilities	
Amortized cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
FVPL	These liabilities are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Derecognition

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Corporation also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of Financial Assets (Including Receivables)

The Corporation recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a “lifetime ECL”).

For trade receivables, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Corporation consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 21 & 22*), are recorded when declared. Dividends on common and preferred shares are recognized as distributions within consolidated statement of changes in 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, 2020 was 0.7% (2019: 1.12%). At December 31, 2020 and 2019, cash and cash equivalents consisted of funds in current operating bank accounts.

RESTRICTED CASH

As of December 31, 2020, restricted cash represents security in the form of cash collateral related to certain specified contracts related to the Loyalty Solutions business that were contributed into Kognitiv on June 18, 2020 (*Note 28A*).

As of December 31, 2019, restricted cash represented 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 Loyalty Solutions business. Restricted cash also included a portion of the sale proceeds deposited in a separate interest-bearing account jointly controlled by Aimia and Air Canada to cover any potential income tax payments regarding certain Aeroplan Inc. income tax matters. Refer to *Note 28B* for more information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

SHORT-TERM INVESTMENTS

As of December 31, 2020, short-term investments includes investments in equity instruments that are considered held for trading. As of December 31, 2019, short-term investments consisted of investments in corporate and government bonds with a remaining term to maturity of less than one year. The weighted average yield to maturity of the short-term investments portfolio held at December 31, 2019 was 2.3%.

LONG-TERM INVESTMENTS

As of December 31, 2020, long-term investments includes investments in equity instruments not subject to significant influence and that are not considered held for trading.

As of December 31, 2019, long-term investments included investments in corporate and government bonds which consisted of fixed income securities quoted in an active market with an original and remaining term to maturity of more than one year. All of the investments in corporate and government bonds were redeemed in the twelve months ended December 31, 2020.

INVENTORIES

The inventories held by the Corporation were related to the Loyalty Solutions business that has been contributed into Kognitiv on June 18, 2020 (*Note 28A*). Inventories were stated at the lower of cost and net realizable value. Cost was determined principally using average cost and specific identification methods. Inventories consisted mainly of merchandise on hand required to fulfill redemptions for various loyalty and marketing programs.

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
Right of use assets	Over the term of the lease

As of December 31, 2020, the Corporation has no significant property and equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

ACCUMULATION PARTNERS' CONTRACTS, CUSTOMER RELATIONSHIPS, SOFTWARE AND TECHNOLOGY

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 weighted-average remaining amortization period of customer relationships is 7.5 years as at December 31, 2020. The amortization period reflects estimates based on historical attrition for similar customer relationships.

The Corporation's Accumulation Partners' contracts were related to the Loyalty Solutions business that has been contributed into Kognitiv on June 18, 2020 (*Note 28A*).

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. Software and technology were related to the Loyalty Solutions business that has been contributed into Kognitiv on June 18, 2020 (*Note 28A*).

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 were related to the Loyalty Solutions business that has been contributed into Kognitiv on June 18, 2020 (*Note 28A*). Trade names, which are considered intangible assets with indefinite lives, were recorded at cost less accumulated impairment losses, and were 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 had 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 Aimia'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, which includes Aimia's equity-accounted investments, 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 value 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.

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. DSUs granted to designated employees in the twelve months ended December 31, 2020 vest over 6 years or immediately, while those granted to directors vest immediately. Certain DSUs granted to designated employees includes performance-based vesting conditions (Aimia's share price trading at a weighted average of $6.00/share or higher over a consecutive 20 day trading period).

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.

Share Unit Plan

The Aimia Share Unit Plan (the "SUP") was established for the grant of Performance Share Units ("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.

There are no outstanding PSUs and RSUs as at December 31, 2020.

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.

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.

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.

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 Chief Executive Officer to make decisions about the allocation of resources to the respective segments and assess their individual performance.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

CHANGES IN ACCOUNTING POLICIES

Adoption of revised accounting standards

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

IFRS 9/IAS 39 and IFRS 7 Amendments, Interest rate benchmark reform

The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 - *Financial Instruments: Disclosures*. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Corporation has assessed the impact of the amendments and concluded that they had no impact on its consolidated financial statements.

IFRS 3 Amendments, Definition of a business

The IASB issued amendments to IFRS 3 - *Business combinations* to revise the definition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. The Corporation has applied the amendments for the business combination that occurred during the year (*Note 27*).

IAS 1 and IAS 8 Amendments, Definition of material

The IASB issued amendments to IAS 1 - *Presentation of financial statements* and IAS 8 - *Accounting policies, changes in accounting estimates and errors* to revise the definition of material. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Corporation has assessed the impact of the amendments and concluded that they had no impact on its consolidated financial statements.

Conceptual framework

The IASB issued the revised *Conceptual framework for financial reporting* to replace its 2010 conceptual framework. The revised conceptual framework is effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Corporation assessed the revised conceptual framework and concluded that there is no impact on its consolidated financial statements.

Change in accounting policy

Change in presentation of expense

The disposal of the Loyalty Solutions business (*Note 28A*) combined with the change in the corporate strategy to become a holding company represented a significant change in the nature of the Corporation's operations. As a result of this change, the format of the consolidated statements of operations has been reorganized to reflect the new nature of Aimia's ongoing activities. While the Corporation has kept the same presentation of expenses by nature and continues to disclose the discontinued operations of Loyalty Solutions results per this format, certain expenses are not significant for Aimia as a holding company. Therefore, expenses formerly presented separately as Technology, Rent and office costs, Travel and employee expenses and Other have been combined into the new "Technology and other office expenses" label. This reorganization has been applied retrospectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

FUTURE ACCOUNTING CHANGES

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

IFRS 9/IAS 39 Interest rate benchmark reform (Phase II)

The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 representing the finalisation of Phase II to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. The amendments are effective for annual reporting periods beginning on or after January 1, 2021. The Corporation does not expect a significant impact on its consolidated financial statements.

IFRS 16 COVID-19 rent concession amendment

The IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. The amendments are effective for annual reporting periods beginning on or after January 1, 2021. The Corporation does not expect a significant impact, if any, on its consolidated financial statements.

Annual Improvements to IFRS Standards 2018-2020

The IASB issued 'Annual Improvements to IFRS Standards 2018 - 2020, which includes amendments to the following standards:

- IFRS 9, *Financial instruments* was amended to address which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 1, *Presentation of financial statements* amended the exemption to allow a subsidiary adopting IFRS at a later date than its parent to also measure cumulative translation differences using the amounts reported by the parent based on the parent's date of transition to IFRS.
- IFRS 16, *Leases* amended illustrative example 13 to remove the illustration of payments from the lessor related to leasehold improvements.
- IAS 41 *Agriculture* was amended to remove the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41, Agriculture.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022. IFRS 1 and IAS 41 amendments will not have any impact on the consolidated statements of the Corporation.

For the IFRS 16 amendments, at this time, the Corporation does not anticipate that they will have a significant impact, if any, on its consolidated financial statements.

The Corporation is reviewing the impact that the IFRS 9 amendments might have on its consolidated financial statements.

Reference to Conceptual Framework (Amendments to IFRS 3)

The IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements, add a new exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 rather than the 2018 Conceptual Framework, and clarify that an acquirer should not recognize contingent assets at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. At this time, the Corporation does not anticipate that these changes will have a significant impact, if any, on its consolidated financial statements.

IAS 37 Onerous contracts - Cost of fulfilling a contract

The IASB issued 'Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. At this time, the Corporation does not anticipate that these changes will have a significant impact, if any, on its consolidated financial statements.

IAS 1 Classification of liabilities as current or non-current

The IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date has been delayed to 1 January 2023. At this time, the Corporation is reviewing the impact that these amendments will have on its consolidated financial statements.

3. SEGMENTED INFORMATION

On April 29, 2020, the Corporation updated its corporate strategy to become a holding company with a focus on long-term investments in public and private companies, on a global basis, through controlling or minority stakes. In light of the different skills required by the change in strategy, the board of directors has appointed Philip Mittleman as Chief Executive Officer with Mr. Mittleman becoming the new chief operating decision maker (CODM).

On June 18, 2020, the Corporation lost control of its Loyalty Solutions segment as it contributed those businesses, as well as cash, in exchange for an ownership interest in Kognitiv *(Note 28A)*. On June 19, 2020, Aimia closed the transaction to acquire Mittleman Brothers LLC *(Note 27)*. As a result of these changes, Aimia now consists of two operating and reportable segments, namely Holdings, and Investment Management, the results of which are reviewed by the Corporation's Chief Executive Officer on a monthly basis. Previously, before the change in corporate strategy, the Corporation had one reportable and operating segment, namely Loyalty Solutions, and also presented information for Corporate and Other. The comparative information has been restated to conform with the new segmentation of the Corporation while the Loyalty Solutions operating results are now presented as Discontinued Operations (*Note 28A*).

The Holdings segment includes Aimia's long-term investments comprised of a 48.9% equity stake in PLM, the owner and operator of Club Premier, a Mexican coalition loyalty program, a 48.9% equity stake in Kognitiv, a B2B technology company enabling collaborative commerce, a 20% equity stake in travel technology company BIGLIFE, the operator of BIG Loyalty, AirAsia's loyalty program, a 10.85% stake in Clear Media Limited, an outdoor advertising firm in China as well as various minority investments in public securities. Holdings also includes central operating costs, including costs related to public company disclosure and Board costs, executive leadership, finance and administration.

The Investment Management segment includes Mittleman Investment Management, a SEC-registered investment adviser of the same name that provides discretionary portfolio management to institutional investors and high-net-worth individuals.

Accounting policies applied for the Holdings and Investment Management segments are identical to those used for the purposes of the consolidated financial statements.

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

	Years Ended December 31,					
	2020	2019	2020	2019	2020	2019
Operating Segment	**Holdings**		**Investment Management** [c]		**Continuing operations**	
Share of net earnings (loss) of equity-accounted investments	**1.4**	29.6	**—**	—	**1.4**	29.6
Net fair value gain on investments in equity instruments	**9.5**	89.6	**—**	—	**9.5**	89.6
Interest Income	**2.5**	8.1	**—**	—	**2.5**	8.1
Revenue from investment management fees	**—**	—	**0.9**	—	**0.9**	—
Total Income	**13.4**	127.3	**0.9**	—	**14.3**	127.3
Compensation and benefits	**10.5**	18.1	**0.8**	—	**11.3**	18.1
Professional, advisory and service fees	**6.3**	10.7	**0.2**	—	**6.5**	10.7
Technology and other office expenses	**3.8**	17.1	**0.1**	—	**3.9**	17.1
Fair value loss on contingent consideration	**0.9**	—	**—**	—	**0.9**	—
Other financial expense (income), net	**0.9**	(3.0)	**—**	—	**0.9**	(3.0)
Depreciation and amortization	**0.4**	0.1	**0.6**	—	**1.0**	0.1
Total Expenses	**22.8**	43.0	**1.7**	—	**24.5**	43.0
Earnings (loss) before income taxes [a]	**(9.4)**	84.3	**(0.8)**	—	**(10.2)**	84.3
Total assets [b]	**442.2**	381.4	**2.0**	—	**444.2**	381.4

(a) The reconciliation of the consolidated earnings (loss) before income taxes to the consolidated net earnings (loss) for the years December 31, 2020 and December 31, 2019 is presented in the consolidated statements of operations.

(b) Total assets for 2019 financial information does not include assets in amount of $190.4 million that were held by Aimia's subsidiaries included in the Loyalty Solutions segment now presented as discontinued operations.

(c) Results for the period post June 19, 2020 transaction close.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. INTEREST INCOME AND OTHER FINANCIAL EXPENSE (INCOME)

	Years Ended December 31,	
	2020	2019
Interest Income		
Interest on cash and cash equivalents, restricted cash	1.1	3.7
Interest income on investments in bonds	1.4	4.4
Interest Income	**2.5**	8.1
Other financial expense (income), net		
Interest on long-term debt	—	2.1
Other financial expenses (income)	0.9	(5.1)
Other financial expense (income), net	**0.9**	(3.0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

5. REVENUE

All of the Corporation's revenues from customers from continuing operations (investment management fees) have been recognized in the United States. Revenue from customers are attributed to a country on the basis of the country where the contractual and management responsibility for the customer resides.

DEFERRED REVENUE

A reconciliation of deferred revenue is as follows:

	Loyalty Units		Loyalty Services		Total	
As at	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Opening balance	**24.8**	2,962.8	**2.4**	5.4	**27.2**	2,968.2
Deferred revenue relating to the disposal of businesses (*Note 28A&B*)	**(18.9)**	(2,904.4)	**(3.4)**	(0.7)	**(22.3)**	(2,905.1)
Gross Billings related to discontinued operations (*Note 28A&B*)	**3.6**	44.5	**47.6**	123.7	**51.2**	168.2
Revenue related to discontinued operations (*Note 28A&B*)	**(5.9)**	(47.5)	**(46.6)**	(122.8)	**(52.5)**	(170.3)
Cost of rewards related to discontinued operations *(Note 28A&B)*[(a)]	**(4.4)**	(27.3)	**—**	—	**(4.4)**	(27.3)
Foreign currency and other adjustments	**0.8**	(3.3)	**—**	(3.2)	**0.8**	(6.5)
Ending balance	**—**	24.8	**—**	2.4	**—**	27.2
Represented by:						
Current portion	**—**	21.5	**—**	2.4	**—**	23.9
Long-term	**—**	3.3	**—**	—	**—**	3.3

(a) Gross Billings from the sale of loyalty units are deferred until the loyalty units are redeemed and the reward is provided to the member. With respect to the Air Miles Middle East program, Aimia has determined that it acted as an agent in the delivery of the rewards to the members for the year ended December 31, 2020 and for the year ended December 31, 2019; therefore, the expenses charged by the suppliers are recorded against the deferred revenue, with only the margin being recognized as revenue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

6. EARNINGS (LOSS) PER COMMON SHARE

		Years Ended December 31,		
		2020		2019
Net earnings (loss) attributable to equity holders of the Corporation		**(4.1)**		1,112.4
Deduct: Dividends declared on preferred shares related to the period (*Note 21*)		**(12.7)**		(17.6)
Add: Excess of preferred shares' assigned value over consideration paid for repurchase *(Note 22)*		**—**		21.0
Net earnings (loss) attributable to common shareholders		**(16.8)**		1,115.8
Weighted average number of basic and diluted common shares [(a)]		**93,067,109**		126,795,975
Earnings (loss) per common share – Basic and fully diluted	**$**	**(0.18)**	$	8.80
Continuing operations - Basic and fully diluted	**$**	**(0.30)**	$	0.54
Discontinued operations - Basic and fully diluted		**0.12**		8.26

(a) The weighted average number of basic common shares calculation excludes common shares issued and deposited in escrow as part of the MIM transaction (*Note 27*) as they are still subject to forfeitures as of December 31, 2020.

7. ACCOUNTS RECEIVABLE

As at	December 31, 2020	December 31, 2019
Trade receivables	1.1	57.8
Sales tax receivable	1.1	4.4
Other receivables	1.8	4.6
Total	**4.0**	66.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

8. SHORT-TERM AND LONG-TERM INVESTMENTS

	December 31, 2020	December 31, 2019
Short-term investments		
Investment in corporate and government bonds [a]	—	86.6
Investment in JCDecaux *(Note 9)*	14.1	—
Other investments in equity instruments *(Note 9)*	4.6	—
Total	**18.7**	86.6
Long-term investments		
Investment in corporate and government bonds [a]	—	67.5
Investment in Clear Media Limited *(Note 9)*	69.0	—
Other investments in equity instruments *(Note 9)*	3.4	—
Total	**72.4**	67.5

(a) The investment in corporate and government bonds amounted to $154.1 million at December 31, 2019 of which $86.6 million was classified as short-term investments and $67.5 million as long-term investments. All of the investments in corporate and government bonds were redeemed in the year ended December 31, 2020.

9. FINANCIAL INSTRUMENTS

Aimia's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, receivable from related party, short-term and long-term investments in equity instruments (not subject to significant influence), accounts payable, accrued liabilities and contingent consideration payable.

Aimia, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: equity price risk, 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.

EQUITY PRICE RISK

Equity price risk refers to the risk that the fair value of investments in equity instruments will vary as a result of changes in market prices of the investments. The carrying values of investments subject to equity price risk are based on quoted market prices as of the consolidated statements of financial position dates. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuations in the market price of a security may have no relation to the intrinsic value of the security. Furthermore, amounts realized in the sale of a particular security may be affected by the quantity of the security being sold. The Corporation manages its equity price risk by limiting the size of these investments relative to its total assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The table below shows the impact to the Corporation on consolidated earnings before income taxes of a 10% increase or decrease in quoted market prices on investments subject to equity price risk in the consolidated statements of financial position of the Company. The selected change does not reflect what could be considered the best or worst case scenarios.

	Fair value	Price change %	Estimated fair value after price change	Pre-tax impact on net income
Short-term investments	18.7	10% increase	20.6	1.9
Short-term investments	18.7	10% decrease	16.8	(1.9)

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, 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, 2020, the interest rate risk profile of Aimia's interest bearing financial instruments was as follows:

	December 31,	
	2020	2019
Variable rate instruments		
Cash, cash equivalents and restricted cash	**146.6**	195.7
Short-term investments in corporate and government bonds	**—**	86.6
Total	**146.6**	282.3

For the year ended December 31, 2020, a 1% variance in the interest rates on Aimia's interest bearing financial instruments, would have an impact of approximately $1.5 million (2019: $2.8 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 than for the year ended December 31, 2019.

CREDIT RISK

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. At December 31, 2020 and 2019 Aimia's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, restricted cash, accounts receivable and receivable from related party.

The credit risk on cash and cash equivalents, and restricted cash is limited because the counterparties are Canadian and international banks with high credit-ratings assigned by international credit-rating agencies. Aimia has no history of credit loss arising from those financial instruments. For the year ended December 31, 2020, and 2019 no expected credit loss allowance has been recorded in regards to those financial instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

With respect to accounts receivable and receivable from related party, the exposure to credit risk has been significantly reduced with the vast majority of the Corporation's accounts receivable being contributed to Kognitiv on June 18, 2020. As of December 31, 2020, Aimia's remaining accounts receivable are with former subsidiaries of the Corporation and mainly in accordance with transition service agreements and closing working capital (*Note 28A*). Aimia has no history of significant credit loss arising from those financial instruments. For the year ended December 31, 2020, no significant expected credit loss allowance has been recorded in regards to those financial instruments.

LIQUIDITY RISK

Aimia's objective is to maintain sufficient liquidity to meet its financial liabilities as they come due. At December 31, 2020, the Corporation is exposed to liquidity risk on its accounts payable and accrued liabilities and accounts payable to related party. Aimia manages liquidity risk through the use and monitoring of its cash balances and cash flows generated from operations to meet financial liability requirements.

At December 31, 2020, maturities of the financial liabilities are as follows:

	Total	2021	2022	2023	2024	2025	Thereafter
Accounts payable and accrued liabilities	3.5	3.5	—	—	—	—	—
Accounts payable to related party	0.9	0.9					
Total	**4.4**	**4.4**	**—**	**—**	**—**	**—**	**—**

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation can invest in various international equity instruments that are denominated in a currency that is not the functional currency of the Corporation or any of its subsidiaries. At December 31, 2020, the Corporation's main exposures to those currencies was as follows:

	Balance as at December 31, 2020			
	USD	HKD	EUR	AUD [(a)]
Financial assets				
Cash and cash equivalents	11.8	—	—	30.7
Restricted cash	0.1	—	—	—
Income tax receivable	—	—	1.0	—
Short-term investments	4.6	—	14.1	—
Long-term investments	—	69.0	—	—
Foreign currency exposure	**16.5**	**69.0**	**15.1**	**30.7**
Effect of a 1% change in the exchange rate	0.2	0.7	0.2	0.3

(a) The December 31, 2020 exposure to the Australian dollar (AUD) on cash and cash equivalents is due to the sale of the Corporation's investment in Village Roadshow in the last days of 2020 and is not representative of a normal exposure of cash and cash equivalents to that currency in future years.

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

	Balance as at December 31, 2019		
	USD	EUR	AED
Financial assets			
Cash and Cash equivalents	6.0	0.9	0.3
Restricted cash	1.4	—	0.2
Trade and other receivables	5.1	1.4	0.2
	12.5	2.3	0.7
Financial liabilities			
Trade and other payables	0.1	—	—
	0.1	—	—
Net currency exposure	**12.4**	**2.3**	**0.7**
Effect of a 1% change in the exchange rate	0.1	—	—

The Corporation's exposure to other foreign exchange movement is not significant.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position 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, 2020	December 31, 2019
Financial assets			
Investment in JCDecaux	Level 1	**14.1**	—
Other investments in equity instruments - public company securities	Level 1	**4.6**	—
Investment in Clear Media Limited	Level 3	**69.0**	—
Other investments in equity instruments - special purpose vehicle	Level 3	**3.4**	—

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

	December 31, 2020	December 31, 2019
Realized fair value gain (loss)		
Investment in equity instruments portfolio	**7.0**	—
Investment in Village Roadshow	**5.9**	—
Investment in Cardlytics	**—**	89.6
Unrealized fair value gain (loss)		
Investment in JCDecaux	**3.6**	—
Investment in Clear Media	**(7.2)**	—
Other investments in equity instruments	**0.2**	—
Net fair value gain on investments in equity instruments	**9.5**	89.6

Investments in equity instruments portfolio

During the second quarter of 2020, the Corporation invested $21.1 million (US$14.9 million) in various public company securities. None of these investments gave any form of significant ownership, control or influence to Aimia. On June 9, 2020, the company completed the sale of this investment portfolio for proceeds of $28.1 million (US$21.0 million) and recorded a net fair value gain of $7.0 million.

Investments in equity instruments of Village Roadshow

During the fourth quarter of 2020, the Corporation invested $24.8 million (AU$26.1 million) in common shares of Village Roadshow (VRL.AU). On December 29, 2020, the company completed the sale of all of its stake for net proceeds of $30.7 million (AU$31.4 million) and recorded a fair value gain of $5.9 million.

Investments in equity instruments of Cardlytics

The fair value of the investment in equity instruments of Cardlytics was based on the quoted market value for its publicly traded equity securities. During the year ended December 31, 2019, the Corporation disposed of all of its investment in Cardlytics. During the year ended December 31, 2019, fair value gain of $89.6 million has been recorded in the consolidated statements of operations related to the investment in Cardlytics. The disposal of Cardlytics common shares did not give rise to any income tax payable. Upon disposal of our investment in Cardlytics and conversion of proceeds to Canadian dollars, a foreign exchange gain of $9.7 million was recognized in financial income. That amount was previously recognized in accumulated other comprehensive income.

Investments in equity instruments of JCDecaux

During the year ended December 31, 2020, the Corporation purchased 481,164 common shares of JCDecaux (DEC.PA), for a total of $10.5 million (€6.8 million). The fair value of the investment in equity instruments of JCDecaux is based on the quoted market value for its publicly traded equity securities. During the year ended December 31, 2020, Aimia had unrealized fair value gain of $3.6 million for this investment.

Investments in equity instruments of Clear Media Limited

In May 2020, the Corporation invested $76.2 million (HK$419.6 million) to acquire 58,774,450 common shares of Clear Media Limited, representing a 10.85% ownership interest in the company. Those common shares were acquired at prevailing market rates through a series of common share purchases in the open market, which included 19.6 million common shares previously held through Mittleman Investment Management's assets under management. Aimia did not acquire control or significant influence in the operations of Clear Media Limited. On July 14, 2020, Clear Media announced that the percentage of the public float of the shares of the company had fallen below 15% and that, at the request of the Clear Media, trading in the shares of Clear Media on The Stock Exchange of Hong Kong Limited were suspended with effect from 9:00 a.m. on July 14, 2020.

As of December 31, 2020, the fair value of the investment in equity instruments of Clear Media Limited has been estimated at $69.0 million (HK$7.12 per common share) and is based on a combination of valuation techniques and inputs, including the public offer made by Ever Harmonic Global Ltd. to acquire all outstanding shares of Clear Media that closed on July 13, 2020 at a price of HK$7.12 per common share and a market approach derived using a multiple of EBITDA as outlined below. Therefore, the resulting unrealized fair value loss of $7.2 million is almost exclusively due to the strengthening of the Canadian dollar versus the Hong Kong dollar.

The key assumptions used in this valuation includes:
- EBITDA based on historical results (adjusted for change in accounting pronouncements), with historical profitability recovery scenarios by either 2023 or 2024;
- EBITDA (adjusted for change in accounting pronouncements) multiple ranging from 7.5x to 8.0x determined on the basis of publicly available information of comparable companies;
- Discount rates ranging from 17% to 20%;

A change of +/- 1% in the discount rate would have had a +/- $1.7 million impact on the estimated fair value of Clear Media, while a change of +/- 1.0x in normalized EBITDA multiple would have had a +/- $9.0 million impact on the estimated fair value.

Investment in Fractal Analytics

On February 14, 2019, Aimia completed the sale of its investment in Fractal Analytics for cash consideration of $9.8 million (US$7.4 million). Due to the investment being recorded at fair value as at December 31, 2018, no gain or loss was recorded in the consolidated statement of operations in the first quarter upon the sale of the investment.

Financial assets and financial liabilities at amortized cost

The carrying amounts reported in the consolidated statement of financial position for cash and cash equivalents, restricted cash, accounts receivable, receivable from related party and accounts payable, accounts payable to related party and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments.

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

As at December 31, 2019, the fair value of investments in corporate and government bonds was based on the quoted market price of the investments. Aimia's investment in corporate and government bonds carrying amounts as at December 31, 2019, which were measured at amortized cost, and the fair value thereof, were as set out in the following table. Aimia redeemed the entirety of its investment in corporate and governments bonds in the year ended December 31,2020.

		December 31, 2020		December 31, 2019	
	Hierarchy	Carrying	Fair Value	Carrying	Fair Value
Investments in corporate and government bonds (including current portion)	Level 1	—	—	154.1	155.0

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

10. EQUITY-ACCOUNTED INVESTMENTS

As at	December 31, 2020	December 31, 2019
PLM Premier, S.A.P.I. de C.V. [(a)]	54.9	61.1
Kognitiv (*Note 28A*)	75.1	—
BIGLIFE	16.4	12.8
Aimia Kantar *(Note 28A)*	—	0.7
Total	**146.4**	74.6

(a) During the year ended December 31, 2020, Aimia received distributions from PLM of $18.3 million (US$12.8 million), compared to distributions of $35.3 million (US$26.6 million) for the year ended December 31, 2019.

Share of net earnings (loss) of equity-accounted investments	Years Ended December 31,	
	2020	2019
PLM Premier, S.A.P.I. de C.V.	11.3	31.4
Kognitiv	(13.6)	—
BIGLIFE	3.7	(1.8)
Total	**1.4**	29.6

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

Presented below is the summarized statement of operations 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.

Summarized balance sheet

As at	December 31, 2020	December 31, 2019
Cash and cash equivalents	85.3	114.3
Other current assets	91.7	172.6
Total current assets	177.0	286.9
Total non current assets	223.5	145.2
Total assets	**400.5**	432.1
Total current liabilities	(143.2)	(312.2)
Total non-current liabilities	(393.8)	(256.5)
Total liabilities	**(537.0)**	(568.7)
Net liabilities	**(136.5)**	(136.6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Summarized statement of comprehensive income

	Years Ended December 31,	
	2020	2019
Revenue	**188.7**	332.7
Cost of rewards and operating expenses	(146.2)	(237.2)
Depreciation and amortization	(2.7)	(3.8)
Earnings before net financial expense and income tax expense	**39.8**	91.7
Net financial (expense) recovery	(18.0)	3.7
Income tax (expense) recovery	8.4	(24.0)
Net earnings	**30.2**	71.4
Other comprehensive income	7.4	6.0
Comprehensive income	**37.6**	77.4

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

	Years Ended December 31,	
	2020	2019
PLM net liabilities, beginning of year	**(136.6)**	(141.7)
Net earnings for the year	30.2	71.4
Other comprehensive income for the year	7.4	6.0
Distributions declared during the year	(37.5)	(72.3)
PLM net liabilities, end of year	**(136.5)**	(136.6)
Interest in PLM @ 48.9%	(66.7)	(66.7)
Net book value of identifiable assets and goodwill recognized on a step basis	121.6	127.8
Carrying value, end of year	**54.9**	61.1

	Years Ended December 31,	
	2020	2019
Net earnings	**30.2**	71.4
Share of net earnings of PLM @ 48.9%	14.8	34.9
Amortization expense related to identifiable assets recognized on a step basis	(3.5)	(3.5)
Aimia's share of PLM net earnings	**11.3**	31.4

On June 29, 2020, Aimia announced the signature of a definitive agreement with Grupo Aeromexico S.A.B. de C.V. ("Aeromexico") reflecting the parties' previously announced agreement to make certain changes to the Shareholders Agreement between them and the commercial agreement (CPSA) between Aeromexico and PLM. The changes made to the CPSA include a 20-year extension of the current term to September 13, 2050.

Following the initial $69.3 million (US$50.0 million) loan to Aeromexico made by PLM under the existing PLM intercompany loan facility upon the signing of the letter of intent between Aimia and Aeromexico announced on May 12, 2020, PLM pre-purchased $69.3 million (US$50.0 million) of award tickets upon the execution of the amendments to the CPSA. The loan and pre-purchase are secured by Aeromexico's stake in PLM. Aimia and Aeromexico have

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

also agreed to modify the Shareholders Agreement to grant Aeromexico a 7 year option to purchase Aimia's 48.9% equity interest in PLM at a price of US$400 million for Aimia's equity interest or at an Adjusted EBITDA multiple of 7.5x, whichever is greater, plus Aimia's pro-rata share of cash held by PLM, net of any third party financial debt.

On June 30, 2020, Aeromexico commenced proceedings under Chapter 11 in the United States to implement a court supervised financial restructuring, while continuing to serve its customers. In October 2020, the US Bankruptcy Court approved a DIP financing of up to US$1.0 billion (refer to *Note 2 (a)* for additional details).

INVESTMENT IN KOGNITIV

Presented below is the summarized statement of operations for Kognitiv, excluding amounts relating to identifiable assets and goodwill recognized on the date of acquisition. The information reflects the amounts presented in the financial statements of Kognitiv adjusted for differences in accounting policies between the Corporation and Kognitiv.

Summarized balance sheet

As at	December 31,	December 31,
	2020	2019
Cash and cash equivalents	21.2	—
Other current assets	67.5	—
Total current assets	88.7	—
Total non current assets	5.6	—
Total assets	**94.3**	—
Total current liabilities	(71.8)	—
Total non-current liabilities	(12.2)	—
Total liabilities	**(84.0)**	—
Net assets	**10.3**	—

Reconciliation of summarized statement of operations to Aimia's share of net earnings

	Years Ended December 31,	
	2020 [(a)]	2019
Revenue	**53.1**	—
Cost of sale and operating expenses	(73.6)	—
Depreciation and amortization	(1.1)	—
Loss before net financial income and income tax expense	**(21.6)**	—
Net loss	**(22.9)**	—

(a) Results for the period post June 18, 2020 transaction close.

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

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

	Years Ended December 31,	
	2020 [(a)]	2019
Kognitiv net assets, beginning of year	**32.5**	—
Net loss for the year	(22.9)	—
Issuance of shares	0.7	—
Kognitiv net assets, end of year	**10.3**	—
Interest in Kognitiv @ 48.9%	5.0	—
Cumulative undeclared dividends on preferred shares not owned by Aimia	(1.1)	—
Net book value of intangibles assets and goodwill recognized on acquisition	71.2	—
Carrying value, end of year	**75.1**	—

	Years Ended December 31,	
	2020 [(a)]	2019
Net loss	**(22.9)**	—
Share of net earnings of Kognitiv	(11.2)	—
Amortization expense related to identifiable assets recognized on acquisition	(1.3)	—
Cumulative undeclared dividends on preferred shares not owned by Aimia	(1.1)	—
Aimia's share of Kognitiv net loss	**(13.6)**	—

(a) Results for the period post June 18, 2020 transaction close

Impairment test

As detailed in *Note 2 (a),* the extension of travel restrictions is causing delays in the execution of the initial business plan. Kognitiv has reported a net loss of $(22.9) million since the transaction date, which Aimia's share of this net loss has impacted negatively the carrying value of the investment. Aimia considered this to be an indication that Kognitiv's carrying amount might be impaired and thus tested the investment for impairment.

Therefore, the Corporation performed an impairment test on the investment in Kognitiv. The recoverable value was determined using a combination of valuation techniques, including financing raised by Kognitiv subsequent to June 18, 2020, discounted future cash flows, a market approach derived using multiples of projected EBITDA and revenues, as well as the disposal price of Kognitiv's Intelligent Shopper Solutions ("ISS") business in a recent transaction that occurred in March 2021. The disposal price was considered to be reflective of the value of that business as of December 31, 2020.

The calculation of the discounted future cash flows was based on the following key assumptions:

- Cash flows were projected based on past experience and the financial long range plan prepared by Kognitiv management, which excluded ISS business projections. These projections included assumptions of revenue growth rate up to 2023 averaging 30% per year and operating cash flow minus capital expenditures up to 2023 averaging 12% of revenues;
- Discount rate of 18%;
- Terminal growth rate of 3%;

Rates were determined based on economic indicators and other specific risks related to Kognitiv.

The key assumptions for the market approach were as follows:

- Revenues and EBITDA projected based on past experience and the financial long range plan approved by Kognitiv management, which excluded ISS business projections.
- Revenues multiple range of 1.2x - 2.2x and EBITDA multiples range of 7.5x - 8.0x. The multiples were determined on the basis of publicly available information of comparable companies and are in line with the implied multiples from the disposal of ISS by Kognitiv.

Based on the results of the impairment test, the carrying amount of the Kognitiv investment was determined to be lower than its recoverable value, and therefore no impairment was recorded.

INVESTMENT IN BIGLIFE

As detailed in *Note 2 (a),* Aimia continues to anticipate reduced cash flows and short-to-medium term impacts for BIGLIFE as a result of the reduced capacity of AirAsia Berhad and AirAsia X due to updated travel restrictions, which includes, but not limited to, the reinstatement of the Malaysian Government Movement Control Order in January and February 2021. Those challenges, along with the uncompleted financing initiatives of the airlines and recent delays in the expected recovery of the BIGLIFE operating activities has been considered an indication that the carrying amount of the investment in BIGLIFE might be impaired.

Therefore, the Corporation performed an impairment test on the investment in BIGLIFE. The recoverable value was determined using a combination of valuation techniques, including, discounted future cash flows based on the financial long-range plan approved by the BIGLIFE Board of Directors (discount rate: 18.5%) and a market approach derived using a multiple of projected Adjusted EBITDA (multiple: 7.5x). Based on the results of the impairment test, the carrying amount of the BIGLIFE investment was determined to be lower than its recoverable value and therefore, no impairment was recorded. Subsequent to December 31, 2020, Aimia entered into a binding memorandum of understanding with AirAsia Berhad to sell Aimia's 20% investment in BIGLIFE in exchange for 85.9 million of new common shares of AirAsia Berhad. This agreement is subject to AirAsia Berhad shareholders approval. As of March 24, 2021, those common shares had a value of approximately $29.0 million, which is significantly higher than BIGLIFE's carrying amount of $16.4 million at December 31, 2020. Refer to *Note 29* for additional details.

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

11. PROPERTY AND EQUIPMENT

	Furniture, Fixtures and Computer Hardware	Leasehold Improvements	Right of use assets	Total Property and Equipment
As at December 31, 2019				
Cost	7.4	0.9	1.2	9.5
Accumulated depreciation and impairment	(7.0)	(0.9)	(0.1)	(8.0)
Net carrying amount	0.4	—	1.1	1.5
As at December 31, 2020				
Cost	—	—	—	—
Accumulated depreciation and impairment	—	—	—	—
Net carrying amount	—	—	—	—

There were no additions to furniture, fixtures and computer hardware and leasehold improvements for the year ended December 31, 2020 (2019: nil). There were no additions to right of use assets for the year ended December 31, 2020 (2019: $1.2 million). Most of the Corporation's property and equipment was contributed into Kognitiv on June 18, 2020 (*Note 28A*). During the year ended December 31, 2020, the Corporation also relocated to a new office space and has no significant property and equipment as of December 31, 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Property and Equipment	Accumulation Partners' Contracts and Customer Relationships	Software and Technology	Trade Names	Goodwill
Year ended December 31, 2019					
Opening net carrying amount	1.0	10.7	3.8	8.9	—
Additions - Right of use asset	1.2	—	—	—	—
Depreciation and amortization expense [(a)]	(0.6)	(1.4)	(2.4)	—	—
Depreciation and amortization - Right of use asset	(0.1)	—	—	—	—
Exchange differences and other	—	(0.4)	(0.2)	(0.1)	—
Closing net carrying amount	**1.5**	**8.9**	**1.2**	**8.8**	**—**
At December 31, 2019					
Cost	9.5	28.0	142.5	8.8	—
Less: accumulated depreciation and amortization	5.7	19.1	75.8	—	—
Less: accumulated impairment charges [(b)]	2.3	—	65.5	—	—
Closing Net carrying amount	**1.5**	**8.9**	**1.2**	**8.8**	**—**
Year ended December 31, 2020					
Opening net carrying amount	1.5	8.9	1.2	8.8	—
Additions *(Note 27)*	—	2.6	—	—	11.8
Disposals *(Note 28A)*	(1.0)	(8.6)	(0.2)	(8.6)	—
Depreciation and amortization expense [(a)]	(0.4)	(1.3)	(1.1)	—	—
Depreciation and amortization - Right of use asset	(0.1)	—	—	—	—
Exchange differences and other	—	0.2	0.1	(0.2)	(0.7)
Closing net carrying amount	**—**	**1.8**	**—**	**—**	**11.1**
At December 31, 2020					
Cost	—	2.5	—	—	11.1
Less: accumulated depreciation and amortization	—	0.7	—	—	—
Closing Net carrying amount	**—**	**1.8**	**—**	**—**	**11.1**

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

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

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

GEOGRAPHIC INFORMATION

Non-current assets

As at	December 31,	
	2020	2019
Canada	**32.9**	28.2
United Arab Emirates	**—**	17.4
United States	**12.9**	1.5
Total	**45.8**	47.1

Non-current assets for this purpose include amounts relating to property and equipment, intangible assets, goodwill and the tax deposit included in other long-term assets.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill

For the purpose of impairment testing, goodwill is allocated to Aimia's Holdings cash-generating unit ("CGU") which represent the lowest level within Aimia at which goodwill is monitored for internal management purposes, and is not higher in the hierarchy than Aimia's operating segments. The carrying amount of the CGU as of December 31, 2020 was $437.9 million.

The recoverable value of Aimia's Holdings CGU for the year ended December 31, 2020 was based on the fair value less costs of disposal calculation. The resulting recoverable value is the sum of assets fair values using different valuation techniques classified as level 1 and level 3 in accordance with the fair value hierarchy described in *Note 9*.

Key assumptions and unobservable valuation inputs associated valuation techniques classified as level 3 include:

- Investment in PLM: assumptions in accordance to or with similar terms to the shareholders' agreement, including Adjusted EBITDA multiple of 7.5x (*Note 10*);
- Investments in BIGLIFE and Kognitiv: assumptions and inputs aligned with recoverable value calculation for impairment tests performed (*Note 10*) ;
- Clear Media: assumptions and inputs aligned with fair value calculation (*Note 9*);
- Recurring central operating costs, including costs related to public company disclosure and Board costs, executive leadership, finance and administration valued using a multiple of 6.0x;

Based on the results of the impairment tests conducted in 2020, the carrying amount of the Holdings cash generating unit was determined to be lower than its recoverable amount and therefore, no impairment was recorded.

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

Trade Names - Discontinued operations

Middle East Loyalty Solutions

The Trade Names intangible asset as well as other assets from the Middle East Loyalty Solutions business were contributed to Kognitiv on June 18, 2020 (*Note 28A*).

The recoverable amounts of Aimia's cash-generating unit for the year ended December 31, 2019 was 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 9*.

Fair value less costs of disposal was determined by using different valuation techniques which includes discounted future cash flows generated from the continuing use of the unit and a market approach derived using a multiplication of projected 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 long-range plan approved by the Board of Directors.
- Other key assumptions applied in the discounting of future cash flows include a terminal growth rate and discount rate. Rates were applied to the CGU based on the economic indicators within the region and specific risks related to the respective businesses within the CGU.

The key assumptions for the market approach include:

- Adjusted EBITDA projected on the basis of past experience, actual operating results and the 2020 long range plan. Adjusted EBITDA is a non-GAAP measure and represents earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA");
- Multipliers were determined on the basis of historical and publicly available information of comparable companies.

The aggregate carrying amounts of trade names (pre and post impairment testing) allocated by CGU or group of CGUs at December 31, 2019 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, 2019		Discounted Free Cash Flow Assumptions (%)	
	Carrying Amount - Post impairment testing	Carrying Amount - Pre impairment testing	Terminal Growth Rate	Discount Rate
Trade Names				
Loyalty Solutions				
Middle East loyalty solutions business	8.8	8.8	1.5	19.0

Based on the results of the impairment tests conducted in 2019, the carrying amounts of the Middle East loyalty solutions business was determined to be lower than its recoverable amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2020	December 31, 2019
Trade payables and redemption accruals	—	21.0
Non-trade payables and other accrued expenses	1.4	19.9
Employee compensation and benefits accruals (excluding restructuring liabilities and share-based compensation)	1.7	11.4
Share-based compensation and other performance awards liability	0.4	2.8
Restructuring liabilities	—	4.1
Short term lease liabilities	—	1.7
Total	**3.5**	60.9

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. Restructuring expenses recorded during the year ended December 31, 2020 consisted primarily of severance costs related to headcount reductions and changes associated with restructuring of the Corporation's executive leadership team.

	Total
Balance as at December 31, 2018	**6.4**
Liability recorded during the year	14.2
Payments made during the year	(16.5)
Balance as at December 31, 2019	**4.1**
Liability recorded during the period	2.0
Payments made during the period	(6.2)
Restructuring liability disposed of (*Note 28A*)	(0.1)
Foreign exchange translation adjustment	0.2
Balance as at December 31, 2020	—

Restructuring expenses recorded during the year ended December 31, 2020 and 2019 for each segment are presented below:

	Years Ended December 31,	
Segment	2020	2019
Holdings	1.8	5.2
Discontinued operations - Loyalty Solutions	0.2	9.0
Total	**2.0**	14.2

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

14. PROVISIONS

	Card Migration Provision	Onerous Contract Provision	Total
Balance as at December 31, 2018	**0.1**	**15.2**	**15.3**
Provision used during the period	—	(3.0)	(3.0)
Provision relating to the disposal of businesses (*Note 28B*)	(0.1)	(10.6)	(10.7)
Foreign exchange translation adjustment	—	(0.2)	(0.2)
Balance as at December 31, 2019	**—**	**1.4**	**1.4**
Provision used during the period	—	(1.4)	(1.4)
Balance as at December 31, 2020	**—**	**—**	**—**

ONEROUS CONTRACT PROVISION

Upon the disposal of the U.S. CEL Business, the costs under an IT outsourcing arrangement in the US were considered onerous as the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. As a result, a provision of $20.3 million was recorded during the second quarter of 2017. Based on the terms of the Agreement for the sale of the Aeroplan Program and related assets, a portion of the unavoidable costs was transferred to the buyer at the closing of the transaction on January 10, 2019 (*Note 28B*).

15. LONG-TERM DEBT

Following the completion of the sale of the Aeroplan Program and related assets (*Note 28B*), the Corporation's revolving facility was fully repaid and terminated. In connection with the termination of the credit facility, previously issued irrevocable letters of credit in the aggregate amount of $10.0 million were replaced by security in the form of cash collateral. Additionally, the Senior Secured Notes Series 4 in the principal amount of $250.0 million, bearing interest at 6.85% per annum based on the Corporation's credit ratings, were early redeemed on February 8, 2019. Aimia paid interest accrued on the Senior Secured Notes Series 4 up to repayment date, representing $4.0 million, as well as an early redemption premium of $2.8 million.

16. LEASES

Aimia Acting as a lessee

As at December 31, 2020, Aimia does not have lease liabilities. Aimia's Loyalty Solutions business lease contracts were transferred to Kognitiv at the closing of the transaction on June 18, 2020 *(Note 28A*).

For the year ended December 31, 2020, the interest expense on lease liabilities for the continuing operations was nil (2019: nil). The expense relating to short-term leases for the continuing operations was of $0.4 million (2019: 0.5 million). Total cash outflows for leases was of $0.4 million (2019: 0.5 million).

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

Aimia Acting as a lessor

As at December 31, 2020, Aimia does not have amounts receivable under finance leases. Aimia's Loyalty Solutions business finance lease contract was transferred to Kognitiv at the closing of the transaction on June 18, 2020 *(Note 28A)*. As of December 31, 2019, the amount receivable under finance lease was $2.6 million of which $0.5 million was classified as short-term receivable and $2.1 million as long-term receivable.

17. OTHER LONG-TERM LIABILITIES

As at	December 31, 2020	December 31, 2019
Post-employment benefits	**—**	2.9
Lease liability	**—**	4.3
Share-based compensation and other performance awards	**5.7**	4.5
Contingent consideration and deferred compensation *(Note 27)*	**2.8**	—
Other long-term liabilities	**8.5**	11.7

18. EMPLOYEE BENEFITS

Total employee benefit expenses, including salary and wages, pension costs, share-based compensation, termination and other benefits, but excluding compensation expenses related to Board of Directors members, for the year ended December 31, 2020 amounted to $11.0 million (2019: $16.8 million).

EMPLOYEE SHARE PURCHASE PLAN

The employee share purchase plan allowed eligible employees to invest up to 6% of their salary for the purchase of Aimia's common shares on the secondary market. The Corporation's yearly contribution, representing 50% of the employee contribution, was charged to earnings as compensation expense over the period. For the years ended December 31, 2020 and 2019, Aimia's contributions to the plan were not significant. The employee share purchase plan was terminated during the year ended December 31, 2020.

DEFINED CONTRIBUTION PLANS

Total employee pension costs, as recognized by Aimia under required defined contribution employee future benefit, amounted to $0.3 million for the year ended December 31, 2020 (2019: $0.2 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

19. INCOME TAXES

Income Tax Expense

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

	Years Ended December 31,	
	2020	2019
Current tax expense (recovery)		
Current Part VI.1 tax expense for the year	4.9	19.1
Current tax expense for the year	—	0.1
Total current tax expense	**4.9**	**19.2**

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

	Years Ended December 31,			
	2020		2019	
	%	$	%	$
Reconciliation of statutory tax rate				
Income tax expense (recovery) at Canadian statutory tax rate:	26.50	(2.70)	26.60	22.42
Adjusted for the effect of:				
Temporary differences for which no deferred income tax asset has been recorded	(0.98)	0.10	11.17	9.42
Permanent differences - other	(25.52)	2.60	(38.59)	(32.53)
Foreign operations - subject to different tax rates	—	—	0.94	0.79
Prior year adjustments related to Part VI.1 tax	1.96	(0.20)	—	—
Part VI.1 tax	(50.00)	5.10	22.66	19.10
Income tax expense (recovery) as reported in the consolidated statements of operations and effective tax rate	(48.04)	4.90	22.78	19.20

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, 2020, no deferred tax liabilities were recognized for temporary differences of $62.1 million (2019: $68.5 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.

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

The amounts recognized in the consolidated of financial position consist of:

	December 31, 2020	December 31, 2019
Deferred tax assets - to be recognized within 12 months	—	0.5
Deferred tax assets - to be recognized after 12 months	—	5.4
Deferred tax liabilities - to be settled after 12 months	—	(1.5)
	—	**4.4**

At December 31, 2020, Aimia had no deferred tax assets following the Kognitiv transaction (*Note 28A*) and the loss of control in Loyalty Solutions business and its related assets. Furthermore, deferred tax assets on a continuing basis have not been recorded in the accounts as it is currently not considered probable that taxable profits will be available against which deferred tax assets could be utilized.

Movements in temporary differences during the year were as follows:

	Balance at December 31, 2019	Recognized in Earnings 2020		Recognized in OCI 2020	Recognized in Equity 2020	Balance at December 31, 2020
		Continuing operations	Discontinuing operations			
Deferred tax assets (liabilities)						
Losses available for carryforward	1.1	—	(1.1)	—	—	—
Accumulation Partners' contracts, customer relationships and trade names	3.0	—	(3.0)	—	—	—
Software and technology	0.3	—	(0.3)	—	—	—
	4.4	**—**	**(4.4)**	**—**	**—**	**—**

	Balance at December 31, 2018	Recognized in Earnings 2019	Recognized in OCI 2019	Recognized in Equity 2019	Balance at December 31, 2019
Deferred tax assets (liabilities)					
Losses available for carryforward	0.2	0.9	—	—	1.1
Pension and other long-term liabilities	0.1	(0.1)	—	—	—
Other	0.2	(0.1)	—	(0.1)	—
Accumulation Partners' contracts, customer relationships and trade names	2.7	0.3	—	—	3.0
Software and technology	0.8	(0.5)	—	—	0.3
	4.0	**0.5**	**—**	**(0.1)**	**4.4**

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

At December 31, 2020, 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) Canada		
losses available for carryforward	0.2	2028
	0.6	2036
	3.7	2038
	65.2	2039
	17.2	2040
	86.9	
(ii) United Kingdom		
losses available for carryforward	**14.9**	Indefinite with limitations on usage
(iii) United States		
losses available for carryforward	2.5	2029
	10.2	2030
	31.2	2031
	23.4	2032
	35.0	2033
	10.0	2034
	15.3	2035
	13.3	2036
	9.6	2037
	7.2	Indefinite with limitations on usage
	22.6	Indefinite with limitations on usage
	32.3	Indefinite with limitations on usage
	212.6	

At December 31, 2020, Aimia had Canadian capital tax losses of $399.5 million, for which the deferred tax benefit has not been recorded in the consolidated financial statements, which may be used to reduce taxable capital income in future years.

At December 31, 2020, Aimia had other deductible temporary differences of $27.8 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.

20. CONTINGENT LIABILITIES

GUARANTEES AND INDEMNIFICATIONS

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 or in regards to representations and warranties made by Aimia when Aimia disposed of businesses and other assets. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

Kognitiv transaction

Refer to *Note 28A* for a description of the indemnification clauses related to the Kognitiv transaction.

Aeroplan transaction

Refer to *Note 28B* for a description of the indemnification clauses related to the disposal of Aeroplan Inc.

CLASS ACTIONS

Class action contesting changes to Aeroplan's mileage accumulation and expiry rules

Following the completion of the sale of the Aeroplan Program and related assets on January 10, 2019 (*Note 28B*), any liability associated with the class action, including the liability related to the proposed settlement, has transferred to Air Canada.

Class actions seeking reimbursement of fuel surcharges, airport improvement fees and passenger charges

Following the completion of the sale of the Aeroplan Program and related assets on January 10, 2019 (*Note 28B*), Aimia will bear 50% of the liability and costs, if any, associated with these class action proceedings against Aeroplan Inc., up to a cap of $25 million for Aimia, after which Air Canada is solely responsible.

Management believes that Aeroplan Inc. has a strong defense to these class actions and believes that it is more likely than not that its position will ultimately be sustained; therefore, no amount was recorded in the Corporation's consolidated financial statements as at December 31, 2020 and December 31, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

OTHER CLAIMS AND LITIGATION

Claim from former executive

On November 12, 2020, a former executive of the Corporation filed a statement of claim with the Ontario Superior Court against Aimia seeking, among other remedies, an aggregate of at least $9.0 million in compensatory and punitive damages for breach of contract and wrongful dismissal. Aimia intends to vigorously defend against the claim. Given the stage of the proceedings, it is too early to assess whether there will be a material impact as a result of this claim. No amount has been recorded in these financial statements with respect to this claim.

21. DIVIDENDS

Quarterly dividends declared to preferred shareholders of Aimia for the years ended December 31, 2020 and 2019, excluding cumulative preferred dividends not previously declared and not recorded as at December 31, 2018, were as follows:

	2020		2019	
Three months ended	Amount	Per preferred share	Amount	Per preferred share
Series 1				
March 31,	0.8	0.281250	1.1	0.28125
June 30,	1.5	0.300125	1.1	0.28125
September 30,	1.6	0.300125	1.1	0.28125
December 31,	1.5	0.300125	1.1	0.28125
Total	**5.4**	**1.181625**	4.4	1.12500
Series 2				
March 31,	0.7	0.33670	1.0	0.336760
June 30,	—	—	1.0	0.338570
September 30,	—	—	1.0	0.342605
December 31,	—	—	1.0	0.339518
Total	**0.7**	**0.33670**	4.0	1.357453
Series 3				
March 31,	1.7	0.375688	2.4	0.390625
June 30,	1.6	0.375688	2.2	0.375688
September 30,	1.6	0.375688	2.3	0.375688
December 31,	1.7	0.375688	2.3	0.375688
Total	**6.6**	**1.502752**	9.2	1.517689
Total preferred dividends on Series 1, Series 2 and Series 3	**12.7**		17.6	

As communicated on June 14, 2017, the Corporation was prohibited from paying dividends declared on May 10, 2017 originally scheduled to have been paid on June 30, 2017, as well as declaring any further dividends on any of the outstanding common shares or preferred shares, based on Aimia's determination that the capital impairment test set forth in paragraph 42(b) of the *Canada Business Corporations Act* (the "CBCA") would not be satisfied.

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

Following the approval of a reduction in stated capital by the common shareholders on January 8, 2019, and having taken into account the effect of the sale of the Aeroplan Program (*Note 28B*) on the Corporation's financial position, the Board of Directors approved the following matters on February 22, 2019:

- a reduction to the stated capital account maintained in respect of the common shares to an aggregate amount of $1.0 million;
- the payment on March 29, 2019 of the dividends originally declared on May 10, 2017 to common and preferred shareholders. As at December 31, 2018, the dividends declared but not paid to common and preferred shareholders, representing an amount of $34.7 million, were presented in accounts payable and accrued liabilities; and
- the payment on March 29, 2019 of cumulative preferred dividends not previously declared and recorded amounting to $26.0 million as at December 31, 2018.

In reaching its decision, the Board of Directors considered the Corporation's ability to satisfy the applicable tests under the CBCA and the Corporation's obligation to pay unpaid dividends with a view to remaining in good standing with the applicable rules and policies of the Toronto Stock Exchange (the “TSX”) and maintaining its listing on the TSX.

Given the facts listed above, the Corporation's common and preferred dividends activity for the year ended December 31, 2019 was as follows:

Years Ended December 31,	2019	
	Declared	Paid
Preferred dividends originally declared on May 10, 2017	—	4.3
Cumulative preferred dividends not previously declared and recorded	26.0	26.0
Quarterly preferred dividends	17.6	17.6
Total preferred dividends on Series 1, Series 2 and Series 3	**43.6**	**47.9**
Common dividends originally declared on May 10, 2017	**—**	**30.4**
Total common and preferred dividends	**43.6**	**78.3**

Aimia is subject to Part VI.1 tax under the Income Tax Act (Canada) (the “ITA”) at an imposed tax rate of 40% associated with dividends paid on its preferred shares. For the year ended December 31, 2020, the gross amount of Part VI.1 tax expense is $4.9 million ($19.1 million in 2019). In prior years when Aimia paid dividends on its Preferred Shares, Aimia transferred all of its Part VI.1 tax liability to its related Canadian subsidiaries, which included Aeroplan Inc., to offset the Part VI.1 tax by reducing the taxable income of its Canadian subsidiary and Part 1 tax liability. However, following the sale of Aeroplan (*Note 28B*) and the Kognitiv transaction (*Note 28A*), Aimia and its related Canadian subsidiaries will not have sufficient Canadian taxable income to benefit entirely from the Part VI.1 tax deduction to offset the Part 1 tax. Any unused Part VI.1 tax deduction will be carried forward as non-capital losses under the rules specifically provided under the ITA.

During the year ended December 31, 2020, the Corporation paid $22.0 million of Part VI.1 tax.

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

On March 19, 2021, the Board of Directors of Aimia declared quarterly dividends of $0.300125 per Series 1 preferred share and $0.375688 per Series 3 preferred share, in each case payable on March 31, 2021 to shareholders of record on March 26, 2021.

22. 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. In the event that Aimia has not paid the dividends accrued and payable for any eight quarters, whether or not consecutive and whether or not such dividends have been declared, the holders of preferred shares become entitled to receive notice of and to attend meetings of the shareholders of the Corporations, other than meetings at which only holders of another specified class or series are entitled to vote, and to vote together with all other shareholders of the Corporation entitled to vote at such meetings on the basis of one vote for each preferred share.

COMMON SHARES:

Issued and outstanding	December 31, 2020		December 31, 2019	
	Number of shares	$	Number of shares	$
Opening balance	**93,848,235**	**0.6**	**152,307,196**	**1,349.3**
Reduction of stated capital	—	—	—	(1,348.3)
Common shares issued - Business acquisition [(a)]	3,072,628	4.4	—	—
Shares repurchased under the normal course issuer bid program	(4,432,651)	(0.2)	(8,879,302)	(0.1)
Shares repurchased under substantial issuer bids	—	—	(49,579,659)	(0.3)
Closing balance	**92,488,212**	**4.8**	**93,848,235**	**0.6**

(a) The common shares issued include 1.6 million shares subject to forfeiture and/or clawback clauses that have been issued and deposited in escrow (*Note 27*).

Normal course issuer bid

On June 8, 2020, the Corporation announced it had received approval from the Toronto Stock Exchange to purchase up to 6,980,010 of its issued and outstanding common shares under a normal course issuer bid during the period from June 10, 2020 to no later than June 9, 2021. From June 10, 2020 to December 31, 2020, Aimia repurchased 4,422,745 common shares for a total consideration of $14.6 million. Share capital was reduced by $0.2 million and the remaining $14.4 million was accounted for as a reduction of contributed surplus.

On June 3, 2019, the Corporation announced it has received approval from the Toronto Stock Exchange respecting the establishment of a normal course issued bid. The Corporation has received approval to purchase up to 8,879,302 of its issued and outstanding common shares during the period from June 6, 2019 to no later than June 5, 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

From June 6, 2019 to August 13, 2019, Aimia repurchased 8,879,302 common shares for a total consideration of $32.7 million. Share capital was reduced by $0.1 million, and the remaining $32.6 million was accounted for as a reduction of contributed surplus.

Reduction of stated capital - common shares

On February 22, 2019, the Board of Directors approved a reduction of the stated capital account maintained in respect of the common shares to an aggregate of $1.0 million. The reduction of $1,348.3 million has been added to the contributed surplus of the Corporation. This reduction of stated capital did not result in any change to total equity.

Substantial issuer bids

On March 27, 2019, Aimia's Board of Directors approved a substantial issuer bid to repurchase a portion of its outstanding common shares for cancellation, commencing on April 11, 2019. In accordance with the terms and conditions of this substantial issuer bid, Aimia purchased for cancellation 34,883,702 common shares. In addition, on November 18, 2019 Aimia's Board of Directors approved an additional substantial issuer bid to repurchase a portion of its outstanding common shares for cancellation. In accordance with the terms and conditions of this substantial issuer bid, Aimia purchased for cancellation 14,705,863 common shares. Of this amount, 9,906 common shares were effectively canceled in January 2020.

PREFERRED SHARES:

Issued and outstanding	December 31, 2020		December 31, 2019	
	Number of shares	$	Number of shares	$
Opening balance	**9,438,403**	**231.1**	**12,900,000**	**315.8**
Repurchase of Preferred Shares, Series 1	—	—	(1,032,090)	(25.2)
Conversion to Preferred Shares, Series 1	2,161,865	52.9	—	—
Repurchase of Preferred Shares, Series 2	—	—	(784,770)	(19.2)
Conversion of Preferred Shares, Series 2	(2,161,865)	(52.9)	—	—
Repurchase of Preferred Shares, Series 3	—	—	(1,644,737)	(40.3)
Closing balance	**9,438,403**	**231.1**	**9,438,403**	**231.1**
Represented by:				
Preferred Shares, Series 1	5,083,140	124.4	2,921,275	71.5
Preferred Shares, Series 2	—	—	2,161,865	52.9
Preferred Shares, Series 3	4,355,263	106.7	4,355,263	106.7

Preferred shares, Series 1 and Preferred shares, Series 2

On February 24, 2020, the Board of Directors resolved that the Corporation would not exercise its right to redeem all or any number of the currently issued and outstanding 2,921,275 Cumulative Rate Reset Preferred Shares, Series 1 (the "Series 1 Preferred Shares") nor all or any number of the currently issued and outstanding 2,161,865 Cumulative Floating Rate Preferred Shares, Series 2 (the "Series 2 Preferred Shares") on March 31, 2020. As a result and subject to certain conditions set out in the rights, privileges, restrictions and conditions attaching to the Series 1 Preferred Shares, the holders of the Series 1 Preferred Shares had the right to convert all or any number of their Series 1 Preferred Shares, on a one-for-one basis, into Series 2 Preferred Shares and subject to certain conditions set out in the rights, privileges, restrictions and conditions attaching to the Series 2 Preferred Shares, the holders of the Series 2 Preferred Shares had the right to convert all or any number of their Series 2 Preferred Shares, on a one-for-one basis, into Series 1 Preferred Shares of Aimia; in each case on March 31, 2020.

During the conversion notice period, 1,774,254 Series 2 Preferred Shares were tendered for conversion into Series 1 Preferred Shares. In accordance with the rights, privileges, restrictions and conditions attaching to the Series 2 Preferred Shares and the Series 1 Preferred Shares, since there would be fewer than 1,000,000 Series 2 Preferred Shares outstanding on March 31, 2020, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares, all Series 2 Preferred Shares were automatically converted into Series 1 Preferred Shares on March 31, 2020.

In addition, despite the fact that during the conversion notice period, 17,370 Series 1 Preferred Shares were tendered for conversion into Series 2 Preferred Shares, since there would be fewer than 1,000,000 Series 2 Preferred Shares outstanding on March 31, 2020, after having taken into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares, holders of Series 1 Preferred Shares who elected to tender their shares for conversion did not have their Series 1 Preferred Shares converted into Series 2 Preferred Shares on March 31, 2020 in accordance with the rights, privileges, restrictions and conditions attaching to the Series 1 Preferred Shares and the Series 2 Preferred Shares.

As a result, all 2,161,865 Series 2 Preferred Shares were automatically converted into Series 1 Preferred Shares on March 31, 2020 and no Series 2 Preferred Shares remain issued and outstanding after March 31, 2020. The dividend rate of the Series 1 Preferred Shares for the five-year period from and including March 31, 2020 up to but excluding March 31, 2025 will be 4.802%, being 3.75% over the five-year Government of Canada bond yield, as determined in accordance with the rights, privileges, restrictions and conditions attaching to the Series 1 Preferred Shares. As of December 31, 2020, there are 5,083,140 issued and outstanding Series 1 Preferred Shares, all of which are listed on the Toronto Stock Exchange.

Preferred shares, Series 3

On February 25, 2019, the Corporation announced that it did not intend to exercise its right to redeem all or any number of the currently outstanding 6,000,000 Series 3 Preferred Shares on March 31, 2019. As a result of the decision not to redeem all or any number of the Series 3 Preferred Shares and subject to certain conditions set out in the rights, privileges, restrictions and conditions attaching to such shares, the holders of the Series 3 Preferred Shares had the right to convert all or any number of their Series 3 Preferred Shares, on a one-for-one basis, into Cumulative Floating Rate Preferred Shares, Series 4 (the "Series 4 Preferred Shares") of Aimia on April 1, 2019.

Based on the results of the conversion process and in accordance with the rights, privileges, restrictions and conditions attaching to the Series 3 Shares and the Series 4 Shares, since there would be less than 1,000,000 Series 4 Shares outstanding on April 1, 2019, after having taken into account all Series 3 Shares tendered for conversion into Series 4 Shares, holders of Series 3 Shares who elected to tender their shares for conversion will not have their Series 3 Shares converted into Series 4 Shares on April 1, 2019. As a result, no Series 4 Shares were issued on April 1, 2019.

With respect to the Series 3 Shares outstanding on or after April 1, 2019, holders of the Series 3 Shares are entitled to receive quarterly fixed, cumulative, preferential cash dividends, as and when declared by the Corporation's Board of Directors, subject to compliance with the provisions of the *Canada Business Corporations Act*. The annual dividend rate for the five-year period from and including March 31, 2019 up to but excluding March 31, 2024 will be 6.01%, being 4.20% over the five-year Government of Canada bond yield, as determined in accordance with the rights, privileges, restrictions and conditions attaching to the Series 3 Shares.

Substantial issuer bid

On November 18, 2019 Aimia's Board of Directors approved substantial issuer bid to repurchase for cancellation up to $31.25 million of its Cumulative Rate Reset Preferred Shares, Series 1 (the "Series 1 Preferred Shares") and its Cumulative Floating Rate Preferred Shares, Series 2 (the "Series 2 Preferred Shares"), each at a fixed price of $17.20 per share, and up to $31.25 million of its Cumulative Rate Reset Preferred Shares, Series 3 (the "Series 3 Preferred Shares") at a fixed price of $19.00 per share. This substantial issuer bid expired at 10:00 p.m. (Eastern time) on December 27, 2019.

In accordance with the terms and conditions of the substantial issuer bid, Aimia purchased for cancellation 1,032,090 Series 1 Preferred Shares and 784,770 Series 2 Preferred Shares at a purchase price of $17.20 per share and 1,644,737 Series 3 Preferred Shares at a purchase price of $19.00 per share, for aggregate consideration of approximately $63.7 million, including transaction costs. Share capital was reduced by $84.7 million. The excess of the preferred shares' assigned value over the consideration paid of $21.0 million was accounted for as an increase in contributed surplus.

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

B) STOCK-BASED COMPENSATION AND OTHER PERFORMANCE AWARDS

The total stock-based compensation and other performance awards expense from continuing operations for the years ended December 31, 2020 and 2019 was as follows:

	Years Ended December 31,	
	2020	2019
Stock options compensation	0.1	0.4
PSU and RSU compensation	(1.3)	0.9
DSU compensation	5.9	0.8
Total stock-based compensation	**4.7**	**2.1**
Performance cash awards	(2.5)	2.1
Total stock-based compensation and other performance awards	**2.2**	**4.2**

Performance Cash Plan

In 2017, the Corporation entered into a voluntary trading restriction that continued to be in effect until May 2019 and, as such, was not able to award Options or PSUs as part of the annual long-term incentive grant. As such, in 2018, Aimia implemented a cash-based long-term incentive plan, named the Performance Cash Plan, for its executives normally eligible to receive Options and PSUs under the Aimia Long-Term Incentive Plan and Aimia Share Unit Plan respectively. It was designed to retain key employees and motivate them to meet or exceed Aimia's performance targets over the long-term. A three-year time vesting horizon was established for Executive Officers and a one-year vesting horizon was implemented for other executives. The performance cash awards ("PCAs") granted under the Performance Cash Plan are subject to performance conditions. Following the Kognitiv transaction and change in corporate strategy, the Corporation cancelled the performance cash plan and paid the accrued amounts up to date. No grant of performance cash awards was done in the year ended December 31, 2020 (2019: $2.9 million).

After the Corporation exited the voluntary trading restriction, Options and PSUs were granted to Executive Officers as part of the long-term incentive plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Aimia Long-Term Incentive Plan and Share Unit Plan

The Corporation did not issue stock options for the year ended December 31, 2020. The number of Aimia stock options granted to employees during the year ended December 31, 2019, the related compensation expense recorded, and the assumptions used to determine stock-based compensation expense, using the binomial options pricing model, were as follows:

	December 31, 2020	December 31, 2019
Compensation expense relating to the options granted (millions)	$ —	$ 0.1
Number of stock options granted	N/A	618,128
Weighted average fair value per option granted ($)	$ —	$ 1.02
Aggregate fair value of options granted (millions)	$ —	$ 0.6
Weighted average assumptions:		
Share price	$ —	$ 3.22
Exercise price	$ —	$ 3.25
Risk-free interest rate	— %	1.33 %
Expected volatility	— %	33.10 %
Dividend yield	— %	— %
Expected option life (years)	—	5.25
Vesting conditions - time (years)	—	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, adjusted to exclude period of abnormal volatility of the share price caused by the disposal of significant businesses (*Note 28B*), which would not be representative of future expected volatility.

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

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding - Beginning of year	**3,806,465**	**11.08**	**5,367,702**	**12.79**
Granted	—	—	618,128	3.25
Exercised	—	—	—	—
Forfeited	(542,986)	3.25	(319,423)	12.67
Expired	(2,619,169)	13.25	(1,859,942)	13.61
Options outstanding - end of year	**644,310**	**8.85**	**3,806,465**	**11.08**
Options exercisable - end of year	**454,711**	**9.44**	**2,650,368**	**13.33**

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

The details of options outstanding and exercisable at December 31, 2020 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
2014	15,002	18.15	15,002	18.15	2021
2015	21,207	13.30	21,207	13.30	2022
2017	532,959	9.20	399,717	9.20	2024
2019	75,142	3.25	18,785	3.25	2026
	644,310	**8.85**	**454,711**	**9.44**	

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

	PSU		RSU	
December 31,	2020	2019	2020	2019
Number of units outstanding - beginning of year	**1,118,757**	**1,818,162**	**10,901**	**104,590**
Units granted (including units granted due to performance)	148,901	655,738	—	—
Units forfeited (including units forfeited due to performance)	(828,853)	(821,981)	(236)	(10,989)
Units settled	(438,805)	(712,373)	(10,665)	(93,535)
Units expired	—	(1,542)	—	—
Dividends paid in units	—	180,753	—	10,835
Number of units outstanding - end of year	**—**	**1,118,757**	**—**	**10,901**
Weighted average fair value per unit on date of grant ($)	N/A	$ 3.34	N/A	N/A

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

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

Aimia Deferred Share Unit Plan

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

	DSU	
December 31,	2020	2019
Number of units outstanding - beginning of year	**357,321**	**561,865**
Units granted during the year	4,092,096	217,815
Units forfeited during the year		—
Units settled during the year	(347,304)	(431,395)
Dividends paid in units during the year	—	9,036
Number of units outstanding - end of year	**4,102,113**	**357,321**
Weighted average fair value per unit on date of grant ($)	$ 2.99	$ 3.63

The DSUs granted to directors are not subject to vesting conditions. During the year ended December 31, 2020, 3.8 million DSUs were issued to executives and had the following characteristics:

- 516,667 were not subject to vesting conditions;
- 600,000 are subject to performance vesting conditions (Aimia's share price trading at a weighted average of $6.00/share or higher over a consecutive 20 day trading period). If performance condition is met, the DSUs are vesting in equal parts at each grant anniversary over the next 6 years;
- 2,683,333 will vest in equal parts at each grant anniversary over the next 5 or 6 years.

DSUs are payable only upon termination of service. At December 31, 2020, the intrinsic value of vested DSUs amounted to $3.4 million (2019: $1.3 million).

23. COMMITMENTS

As at December 31, 2020, the non-cancellable estimated future minimum payments under various short-term operating leases and other contractual obligations are as follows:

	Total	2021	2022	2023	2024	2025	Thereafter
Funding of special purpose vehicle	3.2	3.2	—	—	—	—	—
Operating leases	0.1	0.1	—	—	—	—	—
Technology infrastructure and other	0.1	0.1	—	—	—	—	—
Total	**3.4**	**3.4**	**—**	**—**	**—**	**—**	**—**

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

24. CAPITAL DISCLOSURES

As announced on April 29, 2020, the Corporation updated its corporate strategy to become a holding company. This change in strategy impacted the way Aimia manages its capital. Aimia's capital consists of cash and cash equivalents, short-term and long-term investments, 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; and
- to provide a rewarding return on investment to shareholders.

In managing its capital structure, Aimia monitors performance throughout the year to ensure cash operating costs and anticipated cash dividends paid to preferred shareholders and its associated Part VI.1 tax are funded from operations (which includes dividends received from investments, proceeds from realized fair value gains, interest income and management fees) and available cash on hand to the extent required and where applicable. 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.

The total capital as at December 31, 2020 and 2019 is calculated as follows:

	December 31,	
	2020	2019
Cash and cash equivalents	(146.1)	(98.6)
Short-term investments	(18.7)	(86.6)
Long-term investments	(72.4)	(67.5)
Share Capital	235.9	231.7
Contributed surplus	2,265.4	2,277.8
Deficit	(2,100.8)	(2,083.7)
Total capital	**163.3**	173.1

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

25. RELATED PARTIES

ULTIMATE CONTROLLING PARTY

During the years ended December 31, 2020 and 2019, shares of the Corporation were widely held and the Corporation did not have an ultimate controlling party.

TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

As of December 31, 2020, key management personnel is identified as the Corporation's Chief Executive Officer, President, Chief Financial Officer, Chief Investment Officer as well as the General Counsel and Corporate Secretary. The President and Chief Investment Officer roles were created on June 19, 2020, subsequent to the Kognitiv transaction (*Note 28A*) and the MIM acquisition (*Note 27*).

For the year ended December 31, 2019, key management personnel was identified as the Corporation's Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Operating Officer and President, EMEA. The Chief Commercial Officer, Chief Operating Officer and President, EMEA roles were eliminated from the company upon the Kognitiv transaction.

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 DSU Plan (deferred share units) and may participate in the LTIP (stock options) and the SUP (performance share units and restricted share units). In 2019, key management personnel also participated in the Performance Cash Plan (*Note 22*). Directors participate in the DSU Plan.

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

	Years Ended December 31,	
	2020	2019
Director compensation, and key management salaries and benefits [(a)]	**3.7**	7.1
Post-employment benefits	**0.2**	0.2
Share-based compensation and other performance awards	**6.0**	2.9
Termination benefits	**—**	3.5
Total [(b)]	**9.9**	13.7

(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 $2.3 million in the event of a termination without cause or up to $17.8 million in the event of a termination resulting from a change in control.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

TRANSACTIONS WITH POST-EMPLOYMENT BENEFIT PLANS

Aimia offers post-employment benefits to its former employees by way of defined contribution plans. The transactions with these plans are limited to contributions and payment of benefits (*Note 18*).

ACQUISITION OF MITTLEMAN BROTHERS

On June 19, 2020, Aimia announced the acquisition of all outstanding shares of Mittleman Brothers LLC, a related party to the Corporation and the parent company of Mittleman Investment Management, LLC, a SEC-registered value investment adviser that provides discretionary portfolio management to institutional investors and high-net-worth individuals. Refer to *Note 27* for more details on the transaction.

TRANSACTIONS WITH KOGNITIV

On June 18, 2020, Aimia completed the Kognitiv transaction. The transaction is a contribution of cash and Aimia's Loyalty Solutions business, in exchange of an ownership interest in Kognitiv. After the closing of both the contribution of the Loyalty Solutions business and the cash investments, Aimia owned 49.3% of Kognitiv. Aimia and Kognitiv have provided each other transition services. For the year ended December 31, 2020, Aimia has incurred a net expense of $0.7 million in regards to these transition services. Any receivable or payable balance as of December 31, 2020 in regards to these services or other outstanding amounts in regards to the transaction are reported as receivable from related party and payable to related party on the consolidated statement of financial position. Refer to *Note 28A* for more details on the Kognitiv transaction.

26. ADDITIONAL FINANCIAL INFORMATION

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

A) STATEMENTS OF CASH FLOWS

CHANGES IN OPERATING ASSETS AND LIABILITIES

	Years Ended December 31,	
	2020	2019
Restricted cash	**(5.8)**	2.6
Accounts receivable	**24.8**	(48.0)
Inventories	**0.3**	0.9
Prepaid expenses and deposits	**8.2**	(13.7)
Accounts payable and accrued liabilities	**(34.0)**	2.6
Customer deposits	**(1.0)**	3.3
Provisions	**—**	(2.9)
Other long-term liabilities	**(1.1)**	(3.3)
Deferred revenue	**(6.1)**	(34.0)
Total	**(14.7)**	(92.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Balance at December 31, 2019	Cash inflow	Cash outflow	Non-cash items				Balance at December 31, 2020
				Lease liabilities	*Amortization of transaction costs*	*Foreign exchange*	*Discontinued Operations (Note 28A)*	
Lease liabilities (including short-term portion)	6.0	—	(0.7)	—	—	—	(5.3)	—
Total	**6.0**	**—**	**(0.7)**	**—**	**—**	**—**	**(5.3)**	**—**

	Balance at December 31, 2018	Cash inflow	Cash outflow	Non-cash items				Balance at December 31, 2019
				Lease liabilities	*Amortization of transaction costs*	*Foreign exchange*	*Deferred revenue*	
Long-term debt (including short-term portion)	300.9	—	(301.1)	—	0.2	—	—	—
Lease liabilities (including short-term portion)	—	—	(1.3)	7.3	—	—	—	6.0
Included in accounts payable and/or pension and other long-term liabilities:								
Acquisition of non-controlling interest	3.1	—	(2.3)	—	—	—	(0.8)	—
Dividends payable	34.7	—	(34.7)	—	—	—	—	—
Total	**338.7**	**—**	**(339.4)**	**7.3**	**0.2**	**—**	**(0.8)**	**6.0**

B) STATEMENTS OF FINANCIAL POSITION

OTHER LONG-TERM ASSETS

As at	December 31, 2020	December 31, 2019
Tax deposit *(Note 28B)*	**32.9**	26.7
Other deposit	**—**	2.9
Net investment in a lease	**—**	2.1
Prepayments	**1.1**	1.2
Total	**34.0**	32.9

27. ACQUISITION OF MITTLEMAN BROTHERS

On June 19, 2020, Aimia announced the closing of the acquisition of all outstanding shares of Mittleman Brothers LLC, a related party to the Corporation and the parent company of Mittleman Investment Management, LLC, a SEC-registered value investment adviser that provides discretionary portfolio management to institutional investors and high-net-worth individuals. The expertise of Mittleman Brothers brings additional capabilities needed to execute Aimia's new strategy. With the close of this transaction, Philip Mittleman was appointed permanent Chief Executive Officer of Aimia, and Christopher Mittleman was appointed as the Chief Investment Officer and a member of the Board of Directors.

The fair value of the total consideration has been estimated at $16.4 million and includes of $14.4 million related to the business acquisition and $2.0 million of deferred compensation. The total consideration consists of $6.3 million (US$4.6 million) in cash paid at closing and up to approximately 4.2 million common shares of the Corporation. The consideration in common shares include 1.5 million common shares that were issued as initial consideration and up to 2.7 million common shares that will be issued to the sellers subject to achievement of certain earn-out and performance related targets. Of those 2.7 million common shares, 1.6 million are subject to forfeiture and/or clawback clauses, and have already been issued and deposited in escrow (the "escrow shares"). The remaining 1.1 million common shares will be issued upon achieving the performance related targets (the "contingent shares").

The performance related targets include a significant increase in MIM's assets under management or Aimia's share price trading at a weighted average of $6.00/share or higher over a consecutive 20 day trading period, in each case, prior to the fourth anniversary of the closing of the transaction.

The fair value associated with the base consideration has been determined using the amount of cash paid and the fair value of the common shares issued at the closing date. The common shares had a fair value of $2.93 per common share, which was based on the quoted price of the common shares on the Toronto Stock Exchange on the closing date. The fair value associated with the contingent consideration has been estimated using the fair value of the common shares at the closing date and probability-weighted scenarios associated with the performance related targets.

A portion of the consideration attributed to Philip Mittleman and Christopher Mittleman (the "Management Sellers") is contingent upon their continued employment with Aimia for a 10-year period (with up to 0.9 million escrow shares available for clawback) and will be accounted for as deferred compensation over that period. The Corporation incurred $0.6 million of transaction costs related to this acquisition which have been recognized as Professional, advisory and service fees expenses in the consolidated statements of operations.

The results of operations of MIM have been consolidated with those of the Corporation since June 19, 2020. The acquisition has been accounted for as a business combination in accordance with IFRS 3, *Business Combinations*, using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value.

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

The following table summarizes the allocations of the consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

Purchase price	
Base Consideration - Cash paid	6.3
Base Consideration - Initial shares consideration (share capital)	4.4
Contingent Consideration - contingent shares (contributed surplus)	1.9
Contingent Consideration - escrow shares for non-Management Sellers (other long-term liabilities)	1.8
Total Consideration fair value to allocate	**14.4**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	0.4
Accounts receivable	0.1
Customer Relationships	2.6
Accounts payable and accrued liabilities	(0.5)
Total identifiable net assets (liabilities)	**2.6**
Goodwill	11.8
Total	**14.4**

The resulting goodwill related to the acquisition of MIM is mainly composed of key employees' investment and capital allocation expertise and expected synergies associated with workforce that does not qualify for separate recognition. The resulting goodwill has been allocated to the Holdings cash generating unit, which is the CGU that is expected to significantly benefit from the acquisition and will not be deductible for tax purposes.

Subsequent accounting - escrow shares

Non-Management Sellers

The escrow shares issued in favor of non-Management Sellers are accounted for as a contingent consideration and reported as other long-term liabilities. The other long-term liability associated with the escrow shares for non-Management Sellers is recorded at fair value at period end and any variance versus the initial value recognized as purchase price is recorded in the consolidated statement of operations and is presented in "Fair value loss on contingent consideration". The fair value associated with the contingent consideration is estimated using the fair value of the common shares at the period end and probability-weighted scenarios associated with the performance related targets. During the year ended December 31, 2020, a fair value loss of $0.9 million was recorded in the consolidated statements of operations, due to the increase in the share price of the Corporation.

Management Sellers

The escrow shares issued in favor of Management Sellers are accounted for as compensation over the 10-year period post-transaction close. The compensation accrued is estimated using the fair value of the common shares at the period end and probability-weighted scenarios associated with the performance related targets. During the year ended December 31, 2020, a $0.2 million compensation expense was recorded in the consolidated statements of operations.

28. DISCONTINUED OPERATIONS AND DISPOSAL OF BUSINESSES AND OTHER ASSETS

DISCONTINUED OPERATIONS

A) Kognitiv transaction - Loss of control in Loyalty Solutions business and related assets

On June 18, 2020, Aimia completed the Kognitiv transaction previously announced on April 29, 2020. The transaction is a contribution of cash and Aimia's Loyalty Solutions business, which includes Intelligent Shopper Solutions and the Air Miles Middle East program, in exchange of an ownership interest in Kognitiv, a B2B technology company enabling collaborative commerce. As part of the transaction, Kognitiv received a total of $28.7 million (US$21.1 million) with $20.4 million (US$15.0 million) coming from Aimia in funding in the form of 12% cumulative convertible preferred equity of Kognitiv and $8.3 million (US$6.1 million) from other investors. These preferred shares have similar voting rights as, and are convertible into, common shares of Kognitiv. Prior to the transaction close, Aimia had advanced $3.5 million (US$2.5 million) of that investment in the form of a convertible note that converted into convertible preferred equity at the transaction close. After the closing of both the contribution of the Loyalty Solutions business and the cash investments, Aimia owned 49.3% of Kognitiv.

The investors' rights associated with its ownership percentage does not give Aimia control or joint control over Kognitiv or its operations, but rather a significant influence per the definition of IAS 28. Therefore, the transaction is accounted as a loss of control over the Loyalty Solutions business and related assets and a new investment in Kognitiv, which is accounted using the equity method. Under the equity method, net earnings are calculated on the same basis as if the two entities had been consolidated. The difference between the fair value of the investment and the net book value of Kognitiv's assets have been allocated to the fair value of identifiable assets and any remaining difference has been assigned to notional goodwill. The Corporation has identified a total $41.1 million of intangible assets from technology and customer relationships. The resulting residual notional goodwill in regards to this investment is $90.4 million.

The proportionate share of Kognitiv's net earnings has been recorded since the closing of the transaction on June 18, 2020 *(Note 10).* The fair value of Aimia's investment in Kognitiv at transaction date has been estimated at $88.7 million and is based on a combination of valuation techniques and inputs, including the financing round completed concurrently with the transaction, other recent Kognitiv financing rounds, discounted future cash flows generated from the new combined business and a market approach derived using a multiple of projected 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 the financial long range plan approved by Kognitiv management. This included assumptions of revenue growth rate up to 2024 averaging 13% per year and operating cash flow minus capital expenditures up to 2024 averaging 15% of revenues;
- Discount rate of 18%;
- Terminal growth rate of 3%;

Rates were determined based on economic indicators and other specific risks related to Kognitiv.

The key assumptions for the market approach were as follows:

- Earnings projected based on past experience, actual operating results and the financial long range plan approved by Kognitiv management.
- EBITDA multiples range of 6.0x - 8.0x. The multiples were determined on the basis of historical and publicly available information of comparable companies.

Aimia and Kognitiv had originally agreed to provide each other transition services until December 31, 2020. These services include finance, technology, human resources and facility management. Aimia and Kognitiv have extended certain finance and technology transition services until April 30, 2021. Aimia has also agreed to maintain certain guarantees (*Note 20*) as well as security in the form of cash collateral related to certain specified contracts for a period of up to 12 months in the case of guarantees and up to 24 months in the case of cash collateral. The current amount of such cash collateral as of December 31, 2020 is $0.5 million and is included in restricted cash on the statements of financial position.

The transaction agreement also provides that, as of and after the closing date, each of Aimia and Kognitiv shall indemnify one another, as well as certain affiliates and their respective representatives, for losses suffered as a result of, or arising in connection with, any inaccuracy, misrepresentation or breach of any representation or warranty made or given in the agreement or any certificate delivered pursuant thereto and any failure to observe, fulfill or perform any covenant or obligation in the agreement as well as for losses suffered as a result of customer terminated contracts pursuant to a change in control clause. With respect to those indemnification clauses, Aimia has no obligation to indemnify Kognitiv unless and until the aggregate amount of the losses incurred exceeds $2.25 million (US$1.7 million), in which case all losses are indemnifiable. Aimia’s liability for such indemnity claims shall not exceed $15.0 million in all cases except with respect to (i) Aimia’s fundamental representations and (ii) inaccuracy, misrepresentation or breach of any representation or warranty involving fraud, where Aimia's liability is uncapped.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Consideration associated with the Kognitiv transaction	
Investment in Kognitiv recognized at fair value	88.7
Cash investment	(20.4)
Transaction costs related to the loss of control	(4.3)
Consideration relating to disposed assets and liabilities, net of transaction costs	**64.0**
Final closing adjustments related to working capital	4.3
Future technology decoupling funding	(0.8)
Net consideration	**67.5**
Assets and liabilities disposed of	
Cash and cash equivalents	11.1
Restricted cash	22.3
Accounts receivable	42.5
Inventories	0.6
Prepaid expenses and deposits	9.8
Property and equipment	1.0
Software and technology	0.2
Equity-accounted investment (Aimia Kantar)	0.7
Accumulation partners' contracts and customer relationships	8.6
Trade names	8.6
Other long-term assets	4.3
Accounts payable and accrued liabilities	(28.6)
Customer deposits	(19.2)
Deferred revenue	(22.3)
Other long-term liabilities	(7.0)
Net assets (liabilities) disposed of	**32.6**
Gain before reclassification to net earnings of cumulative translation	**34.9**
Reclassification to net earnings of cumulative translation adjustments	(21.6)
Gain on the loss of control of the Loyalty Solutions business and related assets	**13.3**

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

The operating results are presented as discontinued operations and prior periods have been restated.

	Years Ended December 31,	
	2020	2019
Results of the Loyalty Solutions business and related assets		
Total revenue	**52.5**	134.0
Compensation and benefits	**23.4**	77.8
Technology	**16.8**	53.8
Professional, advisory and service fees	**4.9**	9.5
Rent and office costs	**1.5**	2.7
Travel and employee expenses	**0.9**	4.8
Depreciation and amortization	**1.9**	4.4
Other	**2.6**	8.2
Total operating expenses	**52.0**	161.2
Operating income (loss)	**0.5**	(27.2)
Gain on disposal of businesses and other assets	**13.3**	—
Net financial income (expenses)	**(0.3)**	0.3
Share of net earnings of equity-accounted investments	**0.6**	1.8
Income tax (expense) recovery	**(3.1)**	2.9
Net earnings (loss)	**11.0**	(22.2)

Cash flows from (used in) discontinued operations included within the consolidated statements of cash flows are as follows:

	Years Ended December 31,	
	2020	2019
Net cash flows of the Loyalty Solutions business and related assets		
Cash flows from (used in):		
Operating activities	**(0.6)**	(69.0)
Investing activities - Payments for the disposal of businesses, including cash disposed	**(35.6)**	—
Financing activities - Acquisition of non-controlling interest	**—**	(2.3)
Financing activities - Principal elements of lease payments	**(0.7)**	(1.2)
Total	**(36.9)**	(72.5)

B) Aeroplan coalition loyalty program and related assets

On January 10, 2019, Aimia completed the sale of Aeroplan Inc. (formerly known as Aimia Canada Inc.), the owner and operator of the Aeroplan loyalty program, to Air Canada, pursuant to the share purchase agreement entered into and announced on November 26, 2018 (the "SPA"). Gross transaction proceeds amounted to $516.4 million, after final closing adjustments of $66.4 million which were primarily related to favourable working capital adjustments relative to the working capital target set out in the share purchase agreement. Offsetting this cash consideration is an aggregate of $16.0 million, consisting of transaction fees of $7.4 million as well as $8.6 million in termination fees associated with agreements entered into with Porter Airlines, Air Transat and Flair Airlines.

Aimia and Air Canada agreed to provide each other transition services for a period of up to 15 months. These services included finance, technology, human resources and facility management.

The SPA provides that, as of and after the closing date, each of Aimia and Air Canada shall indemnify one another, as well as certain affiliates and their respective representatives, for losses suffered as a result of or arising in connection with any inaccuracy, misrepresentation or breach of any representation or warranty made or given in the agreement or any certificate delivered pursuant thereto and any failure to observe, fulfill or perform any covenant or obligation in the agreement. With respect to those general indemnification clauses, Aimia has no obligation to indemnify Air Canada unless and until the aggregate amount of the losses incurred exceeds $2.25 million, in which case all losses above $2.25 million are indemnifiable. Aimia’s liability for such indemnity claims shall not exceed $55 million in all cases except with respect to (i) Aimia’s fundamental representations, where its liability shall not exceed the purchase price (ii) tax claims for pre-closing tax periods, where Aimia's liability is uncapped, and (iii) non-compliance with anti-spam laws, consumer protection laws, privacy laws or other laws pertaining to the security and protection of personal information, where Aimia's liability is uncapped.

In addition to the foregoing, Aimia has agreed to indemnify Air Canada for income tax payments that may arise after the closing date relating to pre-closing tax periods for Aeroplan Inc. This includes the income tax audit conducted by the CRA regarding certain Aeroplan income tax matters dating back to 2013 (the "2013 CRA audit").

In regards to the indemnification clauses described above, $2.25 million of the purchase price proceeds were deposited with a third-party escrow agent to cover any potential valid general indemnity claims that may be made by Air Canada against Aimia under the SPA and $100 million of the purchase proceeds were deposited in a separate interest-bearing account jointly controlled by Aimia and Air Canada pending the conclusion of the 2013 CRA audit. The escrow amount was released to Aimia in July 2020.

During the year ended December 31, 2019, Aimia received notices of reassessment for the 2012 through 2017 taxation years and notices of assessment for the 2018 and 2019 taxation years from the CRA for an aggregate amount of $26.9 million, including $4.1 million interest. Aimia received notices of reassessment for the 2012 through 2017 taxation years and the notice of assessment for the 2018 taxation year from Revenu Québec for a total amount of $5.5 million, including interest of $0.3 million. During the quarter ended June 30, 2020, Aimia received a notice of reassessment for the 2019 taxation year from Revenu Québec for a total amount of $0.8 million. Aimia has funded the amounts due upon receipt of the assessments from the restricted cash account. Aimia also received a refund of $0.3 million of interest from the CRA. The remaining restricted cash account balance of $66.9 million was released to Aimia in July 2020 in accordance with the terms of the SPA between Aimia and Air Canada.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Aimia, in conjunction with Aeroplan Inc., has initiated the process to vigorously contest these matters. Based on external advice it has received, the Corporation believes that it is more likely than not that Aeroplan Inc. will prevail in the recourse procedures available to taxpayers in these situations, which could eventually lead to a court contestation. Based on this assessment, Aimia did not record any income tax expenses related to discontinued operations in its financial statements (*Note 26B*). Should Aeroplan Inc. be successful in its recourse procedures, the $32.9 million remitted to the CRA and Revenu Québec from the original $100.0 million restricted cash account would be returned to Aimia.

Consideration associated with the disposal of the Aeroplan program and related assets	
Cash	450.0
Transaction and termination fees	(16.0)
Consideration relating to disposed assets and liabilities, net of transaction and termination fees	**434.0**
Closing adjustments related to working capital and future redemption liability	66.4
Net consideration [a)]	**500.4**
Assets and liabilities disposed of	
Cash and cash equivalents	0.2
Accounts receivable	163.7
Prepaid expenses	12.5
Property and equipment	14.4
Software and technology	77.7
Accumulation partners' contracts and customer relationships	423.4
Trade names	275.0
Goodwill	1,675.8
Accounts payable and accrued liabilities	(153.1)
Provisions	(10.7)
Deferred revenue	(2,905.1)
Pension and other long-term liabilities	(47.7)
Deferred income taxes	(88.8)
Net assets (liabilities) disposed of	**(562.7)**
Gain on disposal of the Aeroplan program and related assets [b)]	**1,063.1**

(a) The net consideration related to the disposal of the Aeroplan program and related assets includes the following:

- $496.7 million of gross transaction proceeds received at initial transaction closing, of which $100.0 million was set aside in a restricted account until conclusion of an ongoing CRA audit and $2.25 million set aside in an escrow account;
- $16.0 million of transaction and termination fees paid during the year ended December 2019.

(b) As of March 31, 2019 the preliminary gain on disposal of the Aeroplan program was $1,043.6 million. During three month ended June 30, 2019, the gain on disposal was adjusted by $19.5 million, being an additional $19.7 million related to final closing adjustments related to working capital, offset by $0.2 million of transaction fees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The operating results are presented as discontinued operations and prior periods have been restated.

	Years Ended December 31,	
	2020	2019
Results of the Aeroplan Program and related assets		
Revenue from Loyalty Units	—	35.3
Revenue from Loyalty Services and Other	—	1.0
Total revenue	—	36.3
Cost of rewards and direct costs	—	24.5
Gross margin	—	11.8
Operating expenses before share-based compensation and other performance awards	—	4.5
Share-based compensation and other performance awards	—	(0.2)
Total operating expenses	—	4.3
Operating income	—	7.5
Gain on disposal of businesses and other assets	—	1,063.1
Income tax (expense) recovery	—	(1.1)
Net earnings from the Aeroplan Program and related assets	—	1,069.5

Cash flows from (used in) discontinued operations included within the consolidated statements of cash flows are as follows:

	Years Ended December 31,	
	2020	2019
Net cash flows of the Aeroplan Program and related assets		
Cash flows from (used in):		
Operating activities	—	(27.9)
Investing activities		
Net proceeds from the disposal of businesses and other assets	—	500.4
Restricted cash	—	(100.0)
Cash held in escrow	—	(2.3)
Total	—	370.2

29. SUBSEQUENT EVENTS

Sale of BIGLIFE to AirAsia Berhad

On March 22, 2021, Aimia entered into a binding memorandum of understanding with AirAsia Berhad to sell Aimia's 20% investment in BIGLIFE in exchange for 85.9 million of new common shares of AirAsia Berhad. This agreement is subject to AirAsia Berhad shareholders approval. As of March 24, 2021, those common shares had a value of approximately $29.3 million. If approved, the transaction will generate a gain equivalent to the difference between the fair value of those shares and the carrying value of the investment in BIGLIFE at transaction close. As of December 31, 2020, the investment in BIGLIFE's carrying amount was $16.4 million.

Investment in AirAsia Berhad

In March 2021, the Corporation participated in the second tranche of a private placement of new ordinary shares in AirAsia Berhad. Aimia subscribed for 35.6 million of new common shares for an amount of $9.4 million (US$7.5 million).

Investment in equity instruments

Subsequent to December 31, 2020, the Corporation invested an additional amount of $8.2 million in various public company securities. None of these investments gave any form of significant ownership, control or influence to Aimia.