



Interim Consolidated Financial Statements

**For the three months ended
March 31st 2011 and 2010**

UNAUDITED



Management's Report

The accompanying consolidated financial statements of Groupe Aeroplan 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 now International Financial Reporting Standards ("IFRS"). The consolidated financial statements include some amounts and assumptions based on management's best estimates which have been derived with careful judgement.

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

May 25, 2011

(signed) "Rupert Duchesne"

RUPERT DUCHESNE

President and Chief Executive Officer

(signed) "David L. Adams"

DAVID L. ADAMS

Executive Vice President and Chief Financial Officer



Consolidated Statements of Operations

	Three months ended March 31	
	2011 <i>(unaudited)</i>	2010 <i>(unaudited)</i>
<i>(in thousands of dollars, except share and per share amounts)</i>		
Revenue	\$ 546,208	\$ 508,259
Cost of sales		
Cost of rewards and direct costs	327,616	305,740
Depreciation and amortization	7,820	7,627
Amortization of accumulation partners' contracts, customer relationships and technology	23,329	22,968
	<u>358,765</u>	<u>336,335</u>
Gross margin	<u>187,443</u>	<u>171,924</u>
Operating expenses		
Selling and marketing expenses	106,053	115,086
General and administrative expenses	31,928	31,503
	<u>137,981</u>	<u>146,589</u>
Operating income	49,462	25,335
Financial income	1,720	7,376
Financial expenses	(14,359)	(15,623)
Net finance costs	(12,639)	(8,247)
Share of net earnings of Premier Loyalty & Marketing S.A.P.I. de C.V.	6,138	-
Earnings before income taxes	42,961	17,088
Income tax (expense) recovery		
Current	(14,542)	(10,446)
Deferred	(3,164)	8,652
	<u>(17,706)</u>	<u>(1,794)</u>
Net earnings for the period	<u>\$ 25,255</u>	<u>\$ 15,294</u>
Net earnings (loss) attributable to:		
Equity holders of the Corporation	25,428	18,419
Non-controlling interest	(173)	(3,125)
Net earnings for the period	<u>\$ 25,255</u>	<u>\$ 15,294</u>
Weighted average number of shares	<u>185,482,236</u>	<u>199,506,259</u>
Earnings per common share		
Basic and fully diluted	<u>\$ 0.12</u>	<u>\$ 0.08</u>

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



Consolidated Statements of Comprehensive Income (Loss)

	Three months ended March 31	
	2011 <i>(unaudited)</i>	2010 <i>(unaudited)</i>
<i>(in thousands of dollars, except share and per share amounts)</i>		
Net earnings for the period	\$ 25,255	\$ 15,294
Other comprehensive income (loss)		
Foreign currency translation adjustments on consolidation of foreign subsidiaries	2,889	(43,377)
Defined benefit plans actuarial gains (losses)	(297)	447
Variation of minimum funding requirement liability for the defined benefit plan	-	(733)
	<u>2,592</u>	<u>(43,663)</u>
Comprehensive income (loss) for the period	\$ 27,847	\$ (28,369)
Comprehensive income (loss) attributable to:		
Equity holders of the Corporation	28,017	(25,404)
Non-controlling interest	(170)	(2,965)
Comprehensive income (loss) for the period	\$ 27,847	\$ (28,369)

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



Consolidated Statements of Financial Position

As at	March 31	December 31	January 1
<i>(in thousands of dollars, except share and per share amounts)</i>	2011	2010	2010
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Assets			
Current assets			
Cash and cash equivalents	\$ 295,336	\$ 538,580	\$ 609,848
Restricted cash	13,416	12,582	4,216
Short-term investments	530	-	14,433
Accounts receivable	350,057	355,055	256,254
Income taxes receivable	821	4,960	-
Loan receivable from Air Canada	-	-	15,000
Inventories	15,043	17,790	16,346
Prepaid expenses	32,579	23,417	19,012
	<u>707,782</u>	<u>952,384</u>	<u>935,109</u>
Cash held in escrow, related to the acquisition of LMG	42,251	42,029	45,835
Loan receivable from Air Canada	-	-	135,000
Note receivable	58,466	57,379	59,179
Long-term investments	302,200	176,922	-
Investment in Premier Loyalty & Marketing S.A.P.I. de C.V.	41,989	24,080	-
Accumulation partners' contracts and customer relationships	1,318,800	1,338,421	1,417,998
Property and equipment	9,076	8,993	12,628
Software and technology	105,116	111,239	113,618
Trade names	387,540	386,948	397,087
Other intangibles	8,705	9,704	16,280
Goodwill	2,032,160	2,032,865	2,061,597
	<u>\$ 5,014,085</u>	<u>\$ 5,140,964</u>	<u>\$ 5,194,331</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 256,515	\$ 330,052	\$ 374,969
Income taxes payable	-	-	16,613
Provisions	136,450	133,005	-
Customer deposits	58,094	46,688	56,377
Deferred revenue	1,403,938	1,374,341	1,259,691
	<u>1,854,997</u>	<u>1,884,086</u>	<u>1,707,650</u>
Long-term debt	644,780	643,903	780,108
Pension and other long-term liabilities	26,227	27,247	25,926
Deferred income taxes	200,687	197,875	199,620
Deferred revenue	707,019	752,710	748,824
	<u>3,433,710</u>	<u>3,505,821</u>	<u>3,462,128</u>
Total equity attributable to equity holders of the Corporation	1,577,592	1,632,190	1,727,697
Non-controlling interests	2,783	2,953	4,506
Total equity	<u>1,580,375</u>	<u>1,635,143</u>	<u>1,732,203</u>
	<u>\$ 5,014,085</u>	<u>\$ 5,140,964</u>	<u>\$ 5,194,331</u>
Contingencies and commitments	Notes 11 & 14		

Approved by the Board of Directors

(signed) Roman Doroniuk
Roman Doroniuk
Director

(signed) Joanne Ferstman
Joanne Ferstman
Director

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



Consolidated Statements of Changes in Equity
Three months ended March 31, 2011 and year ended December 31, 2010
(unaudited)

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

	Share capital	Retained earnings (Deficit)			Total attributable to the equity holders of the Corporation	Non-controlling interest	Total equity	
		Net earnings (loss) and other	Dividends	Accumulated Other Comprehensive Income (loss)				Contributed Surplus
Balance, January 1, 2010	\$ 1,747,448	\$ -	\$ (1,314,479)	\$ -	\$ 1,294,728	\$ 1,727,697	\$ 4,506	\$ 1,732,203
Total comprehensive income for the period								
Net earnings (loss) for the period		18,419				18,419	(3,125)	15,294
<u>Other comprehensive income:</u>								
Foreign currency translation adjustments on consolidation of foreign subsidiaries				(43,537)		(43,537)	160	(43,377)
Defined benefit plans actuarial gains, net of tax		447				447		447
Variation of minimum funding requirement liability for the defined benefit plan		(733)				(733)		(733)
Total comprehensive income for the period	-	18,133	-	(43,537)	-	(25,404)	(2,965)	(28,369)
Transactions with owners, recorded directly in equity								
Preferred shares issued, net of issue costs	167,258					167,258		167,258
Common shares issued upon exercise of stock options	175					175		175
Quarterly dividends, common and preferred	-		(27,149)			(27,149)		(27,149)
Shares held by stock-based compensation plans	1,279				(1,925)	(646)		(646)
Accretion related to other stock-based compensation plans					2,505	2,505		2,505
Total contributions by and distributions to owners	168,712	-	(27,149)	-	580	142,143	-	142,143
Sub-total	168,712	18,133	(27,149)	(43,537)	580	116,739	(2,965)	113,774
Balance, March 31, 2010	\$ 1,916,160	\$ -	\$ (1,323,495)	\$ (43,537)	\$ 1,295,308	\$ 1,844,436	\$ 1,541	\$ 1,845,977
Total comprehensive income for the period								
Net loss for the period		(3,496)				(3,496)	(3,520)	(7,016)
<u>Other comprehensive income:</u>								
Foreign currency translation adjustments on consolidation of foreign subsidiaries				7,208		7,208	(140)	7,068
Defined benefit plans actuarial gains, net of tax		1,340				1,340		1,340
Variation of minimum funding requirement liability for the defined benefit plan		(2,181)				(2,181)		(2,181)
Total comprehensive income for the period	-	(4,337)	-	7,208	-	2,871	(3,660)	(789)
Transactions with owners, recorded directly in equity								
Preferred shares issued, net of issue costs	1,529					1,529		1,529
Common shares issued upon exercise of stock options	80					80		80
Common shares repurchased	(113,898)				(28,629)	(142,527)		(142,527)
Quarterly dividends, common and preferred			(80,428)			(80,428)		(80,428)
Debt forgiveness from non-controlling interest						-	5,802	5,802
Distributions to non-controlling interest						-	(730)	(730)
Shares held by stock-based compensation plans	3,626				(3,626)	-		-
Accretion related to other stock-based compensation plans					6,229	6,229		6,229
Total contributions by and distributions to owners	(108,663)	-	(80,428)	-	(26,026)	(215,117)	5,072	(210,045)
Sub-total	(108,663)	(4,337)	(80,428)	7,208	(26,026)	(212,246)	1,412	(210,834)
Balance, December 31, 2010	\$ 1,807,497	\$ -	\$ (1,408,260)	\$ (36,329)	\$ 1,269,282	\$ 1,632,190	\$ 2,953	\$ 1,635,143
Total comprehensive income for the period								
Net earnings (loss) for the period		25,428				25,428	(173)	25,255
<u>Other comprehensive income:</u>								
Foreign currency translation adjustments on consolidation of foreign subsidiaries				2,886		2,886	3	2,889
Defined benefit plans actuarial losses, net of tax		(297)				(297)		(297)
Total comprehensive income for the period	-	25,131	-	2,886	-	28,017	(170)	27,847
Transactions with owners, recorded directly in equity								
Common shares repurchased	(39,085)				(19,002)	(58,087)		(58,087)
Quarterly dividends, common and preferred			(25,813)			(25,813)		(25,813)
Shares held by stock-based compensation plans						-		-
Accretion related to other stock-based compensation plans					1,285	1,285		1,285
Total contributions by and distributions to owners	(39,085)	-	(25,813)	-	(17,717)	(82,615)	-	(82,615)
Sub-total	(39,085)	25,131	(25,813)	2,886	(17,717)	(54,598)	(170)	(54,768)
Balance, March 31, 2011	\$ 1,768,412	\$ -	\$ (1,408,942)	\$ (33,443)	\$ 1,251,565	\$ 1,577,592	\$ 2,783	\$ 1,580,375

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



Consolidated Statements of Cash Flows

Three months ended
March 31

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

	2011 <i>(unaudited)</i>	2010 <i>(unaudited)</i>
Cash flows from (used in)		
Operating activities		
Net earnings for the period	\$ 25,255	\$ 15,294
Adjustments for:		
Depreciation and amortization	31,149	30,595
Stock-based compensation	1,663	2,034
Share of net earnings in Premier Loyalty & Marketing S.A.P.I. de C.V.	(6,138)	-
Net financing costs	12,639	8,247
Income tax expense	17,706	1,794
Changes to:		
Accounts receivable	2,688	(4,433)
Inventories	2,533	841
Prepaid expenses	(9,442)	(8,329)
Accounts payable and accrued liabilities	(69,606)	(65,165)
Provisions	1,766	-
Pension and other long-term liabilities	(1,317)	3,856
Deferred revenue	(13,079)	11,284
Customer deposits	12,662	15,604
Restricted cash	(901)	(2,534)
Other	(275)	(6,570)
Funding of stock-based compensation plans	-	(646)
	<u>(17,952)</u>	<u>(13,422)</u>
Cash generated from operating activities	7,303	1,872
Interest received	1,793	5,214
Interest paid	(13,870)	(7,592)
Income taxes paid	(10,067)	(29,225)
Net cash used in operating activities	<u>(14,841)</u>	<u>(29,731)</u>
Investing activities		
Acquisition of Carlson Marketing, net of cash acquired	-	(14,715)
Investment in Premier Loyalty and Marketing S.A.P.I. de C.V.	Note 3 (11,771)	-
Change in short-term investments	(537)	3,360
Change in long-term investments	Note 2 (125,949)	-
Additions to property, equipment, software and technology	(6,312)	(9,159)
	<u>(144,569)</u>	<u>(20,514)</u>
Financing activities		
Quarterly dividends	Note 12 (25,813)	(27,149)
Issuance of common shares	-	175
Issuance of preferred shares	-	172,439
Issue costs	-	(5,181)
Repurchase of common shares	Note 13 (58,087)	-
Borrowings of long-term debt	-	200,000
Repayment of long-term debt	-	(340,000)
Financing costs	-	(1,718)
	<u>(83,900)</u>	<u>(1,434)</u>
Net change in cash and cash equivalents	(243,310)	(51,679)
Translation adjustment related to cash	66	(6,581)
Cash and cash equivalents, beginning of period	538,580	609,848
Cash and cash equivalents, end of period	\$ 295,336	\$ 551,588

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

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

1. STRUCTURE OF THE CORPORATION

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

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

Groupe Aeroplan, a global leader in loyalty management, through its subsidiaries, operates in three regional business segments: Canada, the United States and Asia-Pacific (“US & APAC”) and Europe, the Middle-East and Africa (“EMEA”).

In Canada, Groupe Aeroplan operates the Aeroplan Program, a premier customer loyalty program and Carlson Marketing, a loyalty marketing services provider. In Europe, the Middle-East and Africa, Groupe Aeroplan operates Nectar, a coalition loyalty program in the United Kingdom, Air Miles Middle East through a 60% ownership interest, LMG Insight & Communication (“I&C”), a customer-driven insight and data analytics business offering international services to retailers and their suppliers, the Nectar Italia coalition loyalty program, through a 75% participation and Carlson Marketing, a loyalty marketing services provider. In the United States and Asia Pacific, Groupe Aeroplan operates Carlson Marketing, a loyalty marketing services and engagement and events provider. Groupe Aeroplan also holds a 28.86% interest in, and jointly controls, with Grupo Aeromexico, S.A.B. de C.V., Premier Loyalty & Marketing S.A.P.I. de C.V. (“PLM”), owner and operator of Club Premier, a Mexican coalition loyalty program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unaudited consolidated financial statements and in the preparation of the opening IFRS balance sheet at January 1, 2010, subject to certain transition elections disclosed in *Note 18*, for the purposes of the transition to IFRSs. The accounting policies have been applied consistently by all Groupe Aeroplan entities.

BASIS OF PREPARATION

Statement of Compliance

These unaudited consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and IAS 34 - *Interim Financial Reporting*. These are the Corporation’s first consolidated interim financial statements prepared in accordance with IFRSs and following the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Previously, the consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Corporation is provided in *Note 18*.

These unaudited consolidated interim financial statements do not include all of the information required for annual financial statements and as such should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with GAAP and with the IFRS transition disclosures in *Note 18*.

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

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 25, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The consolidated interim financial statements were authorized for issue by the Board of Directors on May 25, 2011.

Basis of Measurement

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

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

Functional and presentation currency

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

Use of estimates and judgments

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

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

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

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

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

- Breakage (*Notes 2 and 8*)
- Income Taxes (*Note 2*)
- Impairment considerations on long-lived assets and goodwill, particularly future cash flows and cost of capital (*Note 2*)
- Provisions (*Note 9*)

PRINCIPLES OF CONSOLIDATION

Subsidiaries

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

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

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

Joint Ventures

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

SEASONALITY OF OPERATIONS

Historically, the Aeroplan Program has been marked by seasonality relating to high redemption activity in the first half of the year and high accumulation activity in the second half of the year. The Nectar Program is characterized by high redemption activity in the last quarter of the year as a result of the holiday season. While the loyalty marketing services business is also affected by similar seasonality in the last quarter of the year, also related to the holiday season, the impact at the consolidated level is not significant due to the lower relative importance of the reward fulfilment component of the business compared to that of the Aeroplan Program and the Nectar Program.

REVENUE RECOGNITION, AND COST OF REWARDS AND DIRECT COSTS

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

Changes in Breakage are accounted for at the operating segment as follows: in the period of change, the deferred revenue balance is adjusted as if the revised estimate had been used in prior periods with the offsetting amount recorded as an adjustment to revenue; and for subsequent periods, the revised estimate is used. Based on the results of the application of the model in 2010 and related expert review, no change to the previous Breakage estimates of each reporting unit was required. The consolidated weighted average estimated Breakage is approximately 21% (March 31, 2010: 20%).

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

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

In addition, Groupe Aeroplan derives loyalty marketing service fees related to direct marketing, sales promotion and the design, development and administration of loyalty programs. These loyalty marketing service fees are included in Gross Billings and recognized as revenue when the amount, stage of completion and costs for the service can be measured reliably and it is probable that the economic benefits associated with the service will be realized. Other revenue, which consists of charges to members for various services, loyalty industry related business know-how, trademarks and expertise and analytical services to retailers and consumer packaged goods companies, royalties earned with respect to the Air Miles and Nectar trademarks, and the management of Air Canada's tier membership program for its most frequent flyers, is also included in Gross Billings and is recognized as revenue when the services are rendered or on an accrual basis, in accordance with the substance of the agreements in the case of royalties.

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

EMPLOYEE FUTURE BENEFITS

Defined Benefit plans for Aeroplan Canada Contact Centre Employees

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

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

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

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

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

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

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

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

Defined Contribution

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

Short-term employee benefits

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

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

LEASE PAYMENTS

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

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

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.

Groupe Aeroplan 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

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

relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

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

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

GOVERNMENT ASSISTANCE

Research and development tax credits received and receivable from the Federal and Québec governments are accounted for as government assistance and are recognized by the Corporation when there is a reasonable assurance that the entity will comply with relevant conditions and that the tax credits will be received. The tax credits are recognized as a reduction of the related expense or cost of the asset acquired that they are intended to compensate.

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATIONS

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

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

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

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

FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

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

Groupe Aeroplan has classified its financial instruments as follows:

- cash and cash equivalents, restricted cash, short-term investments (consisting of fixed income securities), accounts and note receivable and loan receivable from Air Canada are classified as loans and receivables and, are recorded at amortized cost using the effective interest rate method;
- long-term investments are classified as held-to-maturity and are recorded at amortized cost using the effective interest rate method;
- accounts payable and accrued liabilities, dividends payable, and long-term debt are classified as other financial liabilities and are recorded at amortized cost using the effective interest rate method.

Impairment of Financial Assets (including receivables)

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

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

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

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

significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

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

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

Transaction Costs

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

Financial Income and Expenses

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

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

SHARE CAPITAL

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

Dividends payable by Groupe Aeroplan 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 (*Note 12*), are recorded when declared. Dividends on common and preferred shares are recognized as distributions within equity.

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

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

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.

RESTRICTED CASH

Restricted cash represents amounts held in trust as required by statute for travel programs in Ontario and Québec, and contractual obligations requiring the segregation of cash for purposes of fulfillment obligations in connection with certain loyalty programs managed by the Corporation.

SHORT-TERM INVESTMENTS

Short-term investments consist of fixed income securities with an original term to maturity of less than one year and greater than three months.

LONG-TERM INVESTMENTS

Long-term investments include investments in corporate and government bonds which consist of fixed income securities quoted in an active market. These bonds have an original term to maturity varying between 1.5 years and 9.5 years and yield an effective interest rate of 3.02%.

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

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

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

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

Other intangibles, which include the rights to use the Carlson Marketing trade name and non-competition restrictions agreed to by the vendor, pursuant to the acquisition agreement, are recorded

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

at cost less accumulated impairment losses and are amortized using the straight-line method over their estimated lives, 3 - 5 years.

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

TRADE NAMES AND GOODWILL

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

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

- the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;
- typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
- technical, technological, commercial or other types of obsolescence;
- the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
- expected actions by competitors or potential competitors;
- the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;
- the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and
- whether the useful life of the asset is dependent on the useful life of other assets of the entity.

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

Acquisitions

Groupe Aeroplan measures goodwill as the fair value of the consideration transferred including 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.

Groupe Aeroplan 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 Groupe Aeroplan in connection with a business combination are expensed as incurred.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

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

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

For those CGUs that do not include goodwill, then the impairment is allocated directly to the related underlying assets.

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

PROVISIONS

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

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

STOCK-BASED COMPENSATION PLANS

On-Going Long-Term Incentive Plan

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

Omnibus Plan

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

Deferred Share Unit Plan

The Deferred Share Unit Plan (the "DSU Plan") has been established as a means of compensating directors and designated employees of Groupe Aeroplan and of promoting share ownership and alignment with the shareholders interests. Directors of Groupe Aeroplan are automatically eligible to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the board of directors.

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

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

The fair value of DSUs, at the date of grant to DSU Plan participants, is recognized as compensation expense over the vesting period, with a credit to accounts payable and accrued liabilities. In addition,

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

the DSUs are fair valued at the end of every reporting period and at the settlement date. Any changes in the fair value of the liability are recognized as compensation expense in earnings.

Long-Term Incentive Plan

The Groupe Aeroplan Inc. Long-Term Incentive Plan (the "Plan"), which upon the Fund's conversion to a corporation effectively replaced the Initial Long-Term Incentive, the On-Going Long-Term Incentive, and Omnibus Plans, was established to provide an opportunity for officers, senior executives and other employees of Groupe Aeroplan and its subsidiaries to participate in the successful growth and development of Groupe Aeroplan. Under the Plan, stock options and/or performance share units ("PSUs") may be granted to eligible employees. These grants are established annually on a basis of a percentage of each participant's annual base salary in addition to other qualitative and quantitative criteria. The aggregate number of shares that may be issued under the Plan, at any time, may not exceed five percent of the issued and outstanding Groupe Aeroplan common shares. The vesting conditions of options and PSUs issued under the Plan, may include time and performance criteria, and are determined at the time of grant. In the case of options, the option term cannot exceed ten years, whereas the vesting period of PSUs shall end no later than December 31 of the calendar year which is three years after the calendar year in which the award is granted. The fair value of stock options, at the date of grant to the eligible employees, is recognized as compensation expense and a credit to contributed surplus over the applicable vesting period using the graded method of amortization. The fair value of PSUs, at the date of grant to PSU Plan participants, is recognized as compensation expense over the vesting period using the graded method of amortization, with a credit to accounts payable and liabilities. In addition, PSUs are fair valued at the end of every reporting period. All awards under the Plan are made at the discretion of the board of directors and are subject to board approval, as are any performance vesting criteria and targets that apply to awards made under the Plan. The amount recognized as an expense is adjusted for forfeitures to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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

EARNINGS PER COMMON SHARE

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

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

SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Groupe Aeroplan's other segments. All operating segments' operating results are reviewed regularly by Groupe Aeroplan's CEO to make decisions about the allocation of resources to the respective segments and assess their individual performance (*Note 15*).

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

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

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent that they do not clearly represent a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, the standard includes guidance on financial liabilities and derecognition of financial instruments. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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

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

On February 28, 2011, after PLM achieved the remaining performance milestone, Groupe Aeroplan completed the second tranche of its investment in PLM of US\$11.8 million (\$11.8 million), increasing its equity interest to 28.86%. The investment, which is now subject to joint control with Grupo Aeromexico S.A.B. de C.V., is accounted for under the equity method.

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

At March 31, 2011, Groupe Aeroplan's share of PLM's financial statement items was as follows:

(in millions of \$)

	\$
Revenue	0.6
Expenses (Recovery)	(2.2)
Current assets	9.3
Long-term assets	27.1
Current liabilities	7.0
Long-term liabilities	6.5

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

4. CASH HELD IN ESCROW

Cash held in escrow, in the amount of \$42.3 million (£27.1 million), represents contingent consideration related to the December 2007 acquisition of LMG. The fair value of the contingent consideration of \$31.1 million (£18.8 million), determined using the expected cash flow approach based on a probability weighted expected contingent consideration and a discount rate of 1.34 % was initially recognized on transition to IFRS (*Note 18*). The fair value of the contingent consideration was reversed into earnings during the third quarter of 2010, following the adverse ruling issued against Groupe Aeroplan by the European Court of Justice ("ECJ") (*Note 9*). Pursuant to the escrow agreement entered into at the time of the acquisition, the funds held in escrow will be released to the Corporation upon ratification by the United Kingdom Supreme Court of the ECJ VAT Judgment.

5. EARNINGS PER COMMON SHARE

	Three months ended March 31,	
	2011	2010
	\$	\$
Net earnings attributable to equity holders of the Corporation	25,428	18,419
Less: Dividend declared on preferred shares	(2,803)	(2,150)
Net earnings attributable to common shareholders	22,625	16,269
Weighted average number of basic and diluted common shares	185,482,236	199,506,259
Earnings per common share – Basic and fully diluted	\$0.12	\$0.08

6. MAJOR ACCUMULATION PARTNERS AND SIGNIFICANT REDEMPTION PARTNER

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

		Three months ended March 31,	
		2011	2010
Operating segment		%	%
Air Canada	Canada	14	13
Accumulation Partner A	Canada	24	24
Accumulation Partner B	EMEA	11	10

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

CONTRACTUAL AND COMMERCIAL PRACTICES WITH AIR CANADA

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

	Three months ended March 31,	
	2011	2010
	%	%
Air Canada (and other Star Alliance Partners)	48	47

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

CPSA

The amended and restated commercial participation services agreement dated June 9, 2004 between Air Canada and Aeroplan, as amended (the "CPSA"), which expires on June 29, 2020, covers the terms and conditions of the purchase of air travel rewards by Aeroplan from Air Canada and its affiliates, the purchase of Aeroplan Miles by Air Canada and its affiliates for issuance to members and the management of the tier membership program for certain Air Canada customers. Pursuant to the CPSA, Aeroplan is required to purchase annually a minimum number of reward travel seats on Air Canada and its affiliates, which number is based on a function of the number of seats utilized in the three preceding calendar years. Based on the three years ended December 31, 2010, Aeroplan is required to purchase reward travel seats amounting to approximately \$417.8 million each year. While Air Canada can change the number of Aeroplan Miles under the Aeroplan Program awarded to members per flight without Aeroplan's consent, Air Canada is required to purchase, on an annual basis, a pre-established number of Aeroplan Miles under the Aeroplan Program at a specified rate. Aeroplan is required to perform certain marketing and promotion services for Air Canada, including contact centre services for the management of the frequent flyer tier membership program, for a fee based on actual costs, on a fully allocated basis, plus an administrative fee. Aeroplan's ability to respond to members' requests for future rewards will depend on Air Canada's ability to provide the requested number of seats.

AIR CANADA WARRANTS

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

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

The total fair value of the 2,500,000 warrants amounted to \$2.7 million at March 31, 2011 and \$4.5 million and \$1.1 million at December 31 and January 1, 2010, respectively.

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

OTHER

Aeroplan has also agreed to indemnify Air Canada, its affiliates and representatives from any claims arising out of any changes made at any time by Aeroplan to the Aeroplan program to the extent such changes are implemented to address fluctuations in Breakage related to the liability attached to miles issued prior to January 1, 2002.

7. REDEMPTION RESERVE

Aeroplan maintains the Aeroplan Canada Miles redemption reserve (the "Reserve"), which, subject to compliance with the provisions of the Corporation's credit facilities, may be used to supplement cash flows generated from operations in order to pay for rewards during periods of unusually high redemption activity associated with Aeroplan Miles under the Aeroplan Program. In the event that the Reserve is accessed, Aeroplan has agreed to replenish it as soon as practicable, with available cash generated from operations. As at March 31, 2011, the Reserve amounted to \$400.0 million and was included in cash and cash equivalents, and long-term investments.

The amount held in the Reserve, as well as the types of securities in which it may be invested, are based on policies established by management, which are reviewed periodically. At March 31, 2011, the Reserve was invested in Bankers' Acceptances and in corporate, federal and provincial bonds (Note 17).

8. DEFERRED REVENUE

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

	GA Loyalty Units		Other		Total	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
	\$	\$	\$	\$	\$	\$
Opening balance	2,063,056	1,978,183	63,995	30,332	2,127,051	2,008,515
GALUs issued – Gross Billings	362,739	1,457,751	-	-	362,739	1,457,751
Other – Gross Billings	-	-	165,141	730,002	165,141	730,002
Revenue recognized	(378,852)	(1,352,802)	(167,356)	(703,433)	(546,208)	(2,056,235)
Foreign currency and other adjustments	2,209	(20,076)	25	7,094	2,234	(12,982)
Ending balance	2,049,152	2,063,056	61,805	63,995	2,110,957	2,127,051
Represented by:						
Current portion^(a)	1,343,792	1,316,540	60,146	57,801	1,403,938	1,374,341
Long-term	705,360	746,516	1,659	6,194	707,019	752,710

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

MEASUREMENT UNCERTAINTY

Air Canada Miles Issued Prior To January 1, 2002

In accordance with the CPSA, Air Canada is responsible for the cost of the redemption for air rewards of up to a maximum of 112.4 billion Air Canada Miles accumulated by members prior to January 1, 2002. The full 112.4 billion of Air Canada Miles have now been redeemed and as a result,

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

Groupe Aeroplan is required to honour any obligations resulting from the redemption of Air Canada Miles.

The maximum potential redemption cost of meeting this obligation, if all 6.1 billion estimated broken but unexpired Air Canada Miles were to be redeemed, amounts to \$56.3 million at March 31, 2011, which will be charged to cost of rewards once they are incurred, as the Air Canada Miles are redeemed over time.

In accordance with Aeroplan's mileage expiry policy, any unredeemed Air Canada Miles will automatically expire on December 31, 2013.

GA Loyalty Units Issued After January 1, 2002

In addition, Groupe Aeroplan may be required to provide rewards to members for unexpired GA Loyalty Units accounted for as Breakage on the GA Loyalty Units issued after December 31, 2001 for which the Breakage revenue has been recognized or deferred and for which no liability has been recorded. The maximum potential redemption cost for such GA Loyalty Units is estimated to be \$1,068.6 million at March 31, 2011.

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

On a consolidated basis, management estimates that a 1% change in Breakage would have a total impact on revenue and earnings before income taxes of \$83.8 million for the period in which the change occurred, with \$80.1 million relating to prior years and \$3.7 million relating to the current period.

9. PROVISIONS

VAT LITIGATION (NOTE 4)

	VAT Provision
	\$
Balance at January 1, 2010	-
Provision recorded during the period	136,572
Provision used during the period	-
Provision reversed during the period	-
Foreign exchange translation adjustment	(3,567)
Balance at January 1, 2011	133,005
Provision recorded during the period	2,749
Provision used during the period	-
Provision reversed during the period	-
Foreign exchange translation adjustment	696
Balance at March 31, 2011	136,450

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

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

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

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

Based on the binding and non-appealable nature of the judgment rendered by the ECJ, an amount of \$136.5 million (£87.5 million) has been recorded in provisions as of March 31, 2011 representing input tax credits relating to the supply of goods claimed historically and to date, and interest and penalties. An amount of \$64.3 million (£41.2 million), relating to recoverable amounts under the terms of contractual agreements with certain Redemption Partners, has also been recorded in accounts receivable.

For the three months ended March 31, 2011, \$1.8 million (£1.2 million) and \$1.0 million (£0.6 million) have been recorded to cost of rewards and interest expense, respectively.

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

10. PENSION AND OTHER LONG-TERM LIABILITIES

	March 31, 2011	December 31, 2010
	\$	\$
Pension and other future benefits obligations	19,658	19,559
Other	6,569	7,688
Total	26,227	27,247

11. CONTINGENT LIABILITIES

Groupe Aeroplan 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, Groupe Aeroplan may provide guarantees and/or indemnifications to third parties to support the performance obligations of its subsidiaries under commercial contracts. At March 31, 2011, Groupe Aeroplan's maximum exposure under such guarantees was estimated to amount to \$151.9 million. No amount has been recorded in these financial statements with respect to the indemnification and guarantee agreements.

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

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

The motion was heard on May 9 and 10, 2011. A decision is anticipated to be rendered within six months of the date it was heard.

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

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

12. DIVIDENDS

Quarterly dividends declared to common shareholders of Groupe Aeroplan for the periods ended March 31, 2011 and 2010 were as follows:

	2011		2010	
	Amount	Amount per common share	Amount	Amount per common share
	\$	\$	\$	\$
March	23,010	0.125	24,999	0.125

Quarterly dividends declared to preferred shareholders of Groupe Aeroplan for the periods ended March 31, 2011 and 2010 were as follows:

	2011		2010	
	Amount	Amount per preferred share	Amount	Amount per preferred share
	\$	\$	\$	\$
March	2,803	0.406	2,150	0.312

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

13. CAPITAL STOCK

NORMAL COURSE ISSUER BID

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

On August 11, 2010, the Corporation received approval from the Toronto Stock Exchange to increase the number of common shares that may be repurchased under the NCIB from 5,000,000 to 19,983,631, during the period from May 14, 2010 to no later than May 13, 2011.

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

From January 1 to March 31, 2011, Groupe Aeroplan repurchased and cancelled 4,468,500 common shares for total cash consideration of \$58.1 million, with 2,492,231 common shares remaining available for purchase through the period ending May 13, 2011. Share capital was reduced by \$39.1 million, and the remaining \$19.0 million was accounted for as a reduction of contributed surplus (*Note 17*).

14. COMMITMENTS

A) OPERATING LEASE COMMITMENTS

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

Year ended December 31	
	\$
In one year or less	10,809
In more than one year but less than five years	42,509
In more than five years	12,112
Total	65,430

B) OPERATING COMMITMENTS AND OTHER

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

	\$
Technology infrastructure and other	55,409
Marketing support and other ^(a)	77,467

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

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

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

15. SEGMENTED INFORMATION

At March 31, 2011, the Corporation has three reportable and operating segments: Canada, EMEA and US & APAC.

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

The Canada segment derives its revenues primarily from the Aeroplan Program and from proprietary loyalty marketing services. The US & APAC segment derives its revenues primarily from loyalty marketing services and engagement and events services. The EMEA segment derives its revenues primarily from loyalty programs, including the Nectar and Nectar Italia programs, operating in the United Kingdom and Italy and from its 60% ownership interest in RMMEL, owner and operator of Air Miles Middle East. In addition, the EMEA segment also generates revenues from loyalty marketing services and customer-driven insight and data analytics.

For the year ended December 31, 2010, the Corporation's operating segments were Aeroplan Canada, Carlson Marketing and Groupe Aeroplan Europe. The change in segmentation results from an internal reorganization conducted to align operations and processes with the strategic objectives of the organization. As a result, the comparative information has been restated to conform with the new segmentation.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. There are no significant inter-segment sales. Management of other financial expenses and income tax expense is centralized and, consequently, these expenses are not allocated to the operating segments.

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

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

Operating segments	Three months ended March 31,											
	2011		2010		2011		2010		2011		2010	
	Canada		EMEA		US & APAC		Corporate ^(b)		Consolidated			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Gross Billings	319,700	297,482	120,747 ^(c)	111,423 ^(c)	87,433 ^(c)	109,042 ^(c)	-	-	527,880 ^(c)	517,947 ^(c)		
Gross Billings from the sale of GALUs	261,634	246,491	101,105	91,778	-	-	-	-	362,739	338,269		
Revenue from GALUs and loyalty marketing services	340,907	296,267	89,775	80,996	87,808	108,209	-	-	518,490	485,472		
Other revenue	13,569	14,062	14,149	8,725	-	-	-	-	27,718	22,787		
Total revenue	354,476	310,329	103,924	89,721	87,808	108,209	-	-	546,208	508,259		
Cost of rewards and direct costs	204,367	186,745	70,753	58,536	52,496	60,459	-	-	327,616	305,740		
Depreciation and amortization ^(a)	25,091	24,948	3,439	3,233	2,619	2,414	-	-	31,149	30,595		
Gross margin	125,018	98,636	29,732	27,952	32,693	45,336	-	-	187,443	171,924		
Operating expenses before share-based compensation	52,286	50,016	32,101	39,293	41,812	45,585	10,119	9,661	136,318	144,555		
Share-based compensation	-	-	-	-	-	-	1,663	2,034	1,663	2,034		
Total operating expenses	52,286	50,016	32,101	39,293	41,812	45,585	11,782	11,695	137,981	146,589		
Operating income (loss)	72,732	48,620	(2,369)	(11,341)	(9,119)	(249)	(11,782)	(11,695)	49,462	25,335		
Financial expenses	-	612	983	143	4	-	13,372	14,868	14,359	15,623		
Financial income	757 ^(f)	6,464 ^(f)	874	912	89	-	-	-	1,720 ^(f)	7,376 ^(f)		
Share of net earnings of PLM	-	-	-	-	-	-	6,138	-	6,138	-		
Earnings (loss) before income taxes	73,489	54,472	(2,478)	(10,572)	(9,034)	(249)	(19,016)	(26,563)	42,961	17,088		
Additions to non-current assets ^(d)	3,717	4,522	2,140	1,209	455	3,428	N/A	N/A	6,312	9,159		
Non-current assets ^(d)	3,310,028	3,394,416	449,530 ^(e)	445,359 ^(e)	101,839 ^(e)	104,403 ^(e)	N/A	N/A	3,861,397 ^(e)	3,944,178 ^(e)		
Deferred revenue	1,812,068	1,747,816	283,524	246,450	15,365	2,146	N/A	N/A	2,110,957	1,996,412		
Total assets	3,934,202	4,117,438	840,863	722,013	197,031	221,930	41,989	-	5,014,085	5,061,381		

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

(b) Includes expenses that are not directly attributable to any specific operating segment.

(c) Includes Gross Billings of \$99.7 million in the UK and \$48.9 million in the US for the three months ended March 31, 2011, compared to Gross Billings of \$98.5 million in the UK and \$74.0 million in the US for the three months ended March 31, 2010.

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

(e) Includes non-current assets of \$398.9 million in the UK and \$96.4 million in the US as of March 31, 2011, compared to non-current assets of \$399.4 million in the UK and \$97.8 million in the US as of March 31, 2010.

(f) Includes a loss of \$1.8 million relating to the fair value adjustment of the Air Canada warrants for the three months ended March 31, 2011, compared to a gain of \$1.5 million for the three months ended March 31, 2010.

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

16. RELATED PARTIES

ULTIMATE CONTROLLING PARTY

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

TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

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

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

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

	March 31,	
	2011	2010
	\$	\$
Director compensation, and key management salaries and benefits	1,951	1,845
Post-employment benefits	113	79
Share-based compensation	839	963
Total	2,903	2,887

TRANSACTIONS WITH POST-EMPLOYMENT BENEFIT PLANS

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

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2011, Groupe Aeroplan repurchased and cancelled 2,492,231 common shares for total cash consideration of \$32.4 million, pursuant to the NCIB. In addition, on May 12, 2011, Groupe Aeroplan received approval from the Toronto Stock Exchange and announced the renewal of its NCIB to repurchase up to 18,001,792 of its issued and outstanding common shares during the period from May 16, 2011 to no later than May 13, 2012. Total common shares repurchased and cancelled during the period from May 16, 2011 to May 24th, 2011, pursuant to the renewed NCIB, amounted to 310,000 for a total cash consideration of \$4.0 million.

On May 6, 2011, Groupe Aeroplan concluded an amendment to its existing credit facilities with its lending syndicate. The Corporation repaid \$100.0 million outstanding under its term facility with funds drawn from its revolving facility, and the term facility was terminated. The new secured credit facility, now only consists of a revolving facility in the amount of \$300.0 million, matures April 23, 2014, and ranks pari passu with Groupe Aeroplan's Senior Secured Notes Series 1 due April 23, 2012, Series 2

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

due September 2, 2014 and Series 3 due January 26, 2017. Depending on the Corporation's credit ratings, the revolving facility bears interest at rates ranging between Canadian prime rate plus 1.25% to 2.00% and the Bankers' Acceptance and LIBOR rates plus 1.75% to 3.00%.

On May 25, 2011, upon recommendation from Management, the Board of Directors approved a reduction of the Reserve to \$300.0 million.

18. ADOPTION OF IFRS

As stated in *Note 2 Basis of Preparation*, these are Groupe Aeroplan's first interim consolidated financial statements prepared in accordance with IFRSs.

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

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

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

RECONCILIATION OF EQUITY

	01-Jan-10			31-Mar-10			31-Dec-10		
	Previous Canadian GAAP	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS adjustments	IFRSs
Note ⁽³⁾	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash and cash equivalents	609,848		609,848	551,588		551,588	538,580		538,580
Restricted cash	4,216		4,216	6,750		6,750	12,582		12,582
Short-term investments	14,433		14,433	11,073		11,073	-		-
Accounts receivable	256,254		256,254	255,378 ⁽²⁾		255,378	355,055		355,055
Income taxes receivable	-		-	3,428		3,428	4,960		4,960
Loan receivable from Air Canada	15,000		15,000	22,500		22,500	-		-
Inventories	16,346		16,346	14,953		14,953	17,790		17,790
Prepaid expenses	19,012		19,012	27,531		27,531	23,417		23,417
	935,109	-	935,109	893,201	-	893,201	952,384	-	952,384
Cash held in escrow	45,835		45,835	41,782		41,782	42,029		42,029
Loan receivable from Air Canada	135,000		135,000	127,500		127,500	-		-
Note receivable	59,179		59,179	54,720		54,720	57,379		57,379
Long-term investments	-		-	-		-	176,922		176,922
Investment in PLM	-		-	-		-	24,080		24,080
Accumulation Partners' contracts and customer relationships	1,417,998		1,417,998	1,388,832		1,388,832	1,338,421		1,338,421
Property and equipment	12,628		12,628	9,752		9,752	8,993		8,993
Software and technology	113,618		113,618	112,648		112,648	111,239		111,239
Trade names	397,087		397,087	386,291		386,291	386,948		386,948
Other intangibles	16,280		16,280	12,847		12,847	9,704		9,704
Goodwill	(b) 2,068,097	(6,500)	2,061,597	2,033,808		2,033,808	2,032,865		2,032,865
Deferred income taxes	(b)(i) 17,161	(17,161)	-	19,626 ⁽²⁾	(19,626)	-	5,088	(5,088)	-
Total assets	5,217,992	(23,661)	5,194,331	5,081,007	(19,626)	5,061,381	5,146,052	(5,088)	5,140,964

(1) Reclassified from accounts payable and accrued liabilities.

(2) Reclassified to conform with the presentation adopted at December 31, 2010.

(3) Please refer to page 36 for explanatory notes.

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

	Note ⁽³⁾	01-Jan-10			31-Mar-10			31-Dec-10		
		Previous Canadian GAAP	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS adjustments	IFRSs	Previous Canadian GAAP	IFRS adjustments	IFRSs
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Liabilities and shareholders' equity										
Current liabilities										
Accounts payable and accrued liabilities	(b)(e)(h)	343,852 ⁽¹⁾	31,117	374,969	259,708 ⁽¹⁾⁽²⁾	29,012	288,720	463,720 ⁽¹⁾	(133,668)	330,052
Income taxes payable		16,613		16,613	-		-	-		-
Provisions	(h)	-		-	-		-	-	133,005	133,005
Customer deposits		56,377		56,377	70,094		70,094	46,688		46,688
Deferred revenue	(a)	1,258,672	1,019	1,259,691	1,261,015	(2,633)	1,258,382	1,378,580	(4,239)	1,374,341
		<u>1,675,514</u>	<u>32,136</u>	<u>1,707,650</u>	<u>1,590,817</u>	<u>26,379</u>	<u>1,617,196</u>	<u>1,888,988</u>	<u>(4,902)</u>	<u>1,884,086</u>
Long-term debt		780,108		780,108	641,164		641,164	643,903		643,903
Deferred income taxes	(i)	160,400	39,220	199,620	148,190	41,298	189,488	146,204	51,671	197,875
Pension and other long-term liabilities	(d)	7,082 ⁽¹⁾	18,844	25,926	10,515 ⁽¹⁾	19,011	29,526	7,737 ⁽¹⁾	19,510	27,247
Deferred revenue	(a)	677,693	71,131	748,824	664,062	73,968	738,030	677,484	75,226	752,710
Non-controlling interest	(c)	1,777	(1,777)	-	(542) ⁽²⁾	542	-	229	(229)	-
Shareholders' equity										
Share capital		1,747,448		1,747,448	1,916,160		1,916,160	1,807,497		1,807,497
Retained earnings	(j)	(1,079,181)	(235,298)	(1,314,479)	(1,091,458)	(232,037)	(1,323,495)	(1,209,259)	(199,001)	(1,408,260)
Accumulated other comprehensive income (loss)	(f)	(46,962)	46,962	-	(92,184)	48,647	(43,537)	(83,561)	47,232	(36,329)
Contributed Surplus	(e)	1,294,113	615	1,294,728	1,294,283	1,025	1,295,308	1,266,830	2,452	1,269,282
Total equity attributable to equity holders of the corporation		<u>1,915,418</u>	<u>(187,721)</u>	<u>1,727,697</u>	<u>2,026,801</u>	<u>(182,365)</u>	<u>1,844,436</u>	<u>1,781,507</u>	<u>(149,317)</u>	<u>1,632,190</u>
Non-controlling interest	(c)	-	4,506	4,506	-	1,541	1,541	-	2,953	2,953
Total equity		<u>1,915,418</u>	<u>(183,215)</u>	<u>1,732,203</u>	<u>2,026,801</u>	<u>(180,824)</u>	<u>1,845,977</u>	<u>1,781,507</u>	<u>(146,364)</u>	<u>1,635,143</u>
Total liabilities and equity		<u>5,217,992</u>	<u>(23,661)</u>	<u>5,194,331</u>	<u>5,081,007</u>	<u>(19,626)</u>	<u>5,061,381</u>	<u>5,146,052</u>	<u>(5,088)</u>	<u>5,140,964</u>

(1) Reclassified from accounts payable and accrued liabilities.

(2) Reclassified to conform with the presentation adopted at December 31, 2010.

(3) Please refer to page 36 for explanatory notes.

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

RECONCILIATION OF COMPREHENSIVE INCOME

Three months ended March 31, 2010					
		Previous Canadian GAAP	IFRS reclassifications	IFRS adjustments	IFRSs
	Note ⁽¹⁾	\$		\$	\$
Revenue	(a)	506,779	-	1,480	508,259
Cost of sales					
Cost of rewards and direct costs		305,740		-	305,740
Depreciation and amortization	(g)	-	7,627	-	7,627
Amortization of accumulation partners' contracts, customer relationships and technology	(g)	-	22,968	-	22,968
Gross margin		201,039	(30,595)	1,480	171,924
Operating expenses					
Selling, general and administrative expenses		146,435	(146,435)	-	-
Selling and marketing expenses	(d)	-	115,301	(215)	115,086
General and administrative expenses	(e)	-	31,134	369	31,503
Depreciation and amortization		7,627	(7,627)	-	-
Amortization of accumulation partners' contracts, customer relationships and technology		22,968	(22,968)	-	-
		177,030	(30,595)	154	146,589
Operating income		24,009	-	1,326	25,335
Finance income	(g)	-	7,376		7,376
Finance expenses	(b) (g)	-	(15,480)	(143)	(15,623)
Interest on long-term debt	(g)	(14,868)	14,868		-
Other interest expense	(g)	(612)	612		-
Interest income	(g)	7,376 ⁽²⁾	(7,376)		-
Net financing costs		(8,104)	-	(143)	(8,247)
Earnings before income tax		15,905	-	1,183	17,088
Income tax expense	(i)	(3,483)	-	1,689	(1,794)
Non-controlling interest		2,450 ⁽²⁾	(2,450)	-	-
Net earnings for the period		14,872	(2,450)	2,872	15,294
Other comprehensive income					
Foreign currency translation adjustments on consolidation of foreign subsidiaries	(a) (b) (c)	(45,222)	-	1,845	(43,377)
Employee future benefits adjustments	(d)	-	-	(286)	(286)
Other comprehensive income for the period		(45,222)	-	1,559	(43,663)
Total comprehensive income for the period		(30,350)	(2,450)	4,431	(28,369)
Net earnings attributable to:					
Equity holders of the Corporation		14,872	-	3,547	18,419
Non-controlling interest	(c)	-	(2,450)	(675)	(3,125)
Net earnings for the period		14,872	(2,450)	2,872	15,294
Comprehensive income attributable to:					
Equity holders of the Corporation		(30,350)		4,946	(25,404)
Non-controlling interest	(c)	-	(2,450)	(515)	(2,965)
Comprehensive income for the period		(30,350)	(2,450)	4,431	(28,369)
Earnings per share - Basic and fully diluted		0.07	0.00	0.02	0.08

(1) Please refer to page 36 for explanatory notes.

(2) Reclassified to conform with the presentation adopted at December 31, 2010.

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

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

(1) Please refer to page 36 for explanatory notes.

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

MATERIAL ADJUSTMENTS TO THE STATEMENT OF CASH FLOWS FOR 2010

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

INDEX TO NOTES TO THE RECONCILIATIONS

(a) Revenue recognition	36
(b) Business combinations	36
(c) Non-controlling interest reclassification	37
(d) Employee future benefits	37
(e) Share-based payments	38
(f) Foreign currency translation exemption	38
(g) Reclassification within statement of operations	38
(h) Provisions	38
(i) Income tax	38
(j) Retained earnings	39

NOTES TO THE RECONCILIATIONS

(a) Revenue Recognition

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

As a result, the Corporation adjusted its revenue recognition to reflect this difference. This increased deferred revenue and reduced retained earnings by \$72.2 million at the date of transition, and increased revenue by \$1.5 million and \$2.4 million, respectively for the three months ended March 31, 2010 and for the year ended December 31, 2010.

(b) Business combinations

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

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

The fair value of the contingent consideration of \$31.1 million was determined using the expected cash flow approach based on a probability weighted expected contingent consideration and a discount rate of 1.34 % when initially recognized on transition to IFRS (*Note 4*) as an adjustment to retained earnings. Accretion expense was also recorded on the contingent consideration in each respective period. The fair value of the contingent consideration was reversed into earnings during the third quarter of 2010, following the adverse ruling by the ECJ (*Note 9*).

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

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

(c) Non-controlling interest reclassification

Under IFRSs, non-controlling interest of \$(3.1) million and \$(6.6) million in the consolidated statement of operations for the three month period ended March 31, 2010 and the year ended December 31, 2010, respectively are presented as an allocation of the net earnings for the period, and non-controlling interest of \$(3.0) million and \$(6.6) million, respectively for the same periods, are presented as an allocation of comprehensive income. Non-controlling interest of \$4.5 million at January 1, 2010 and \$3.0 million at December 31, 2010 in the consolidated balance sheet and statement of changes in equity are classified as equity but are presented separately from equity attributable to equity holders of the Corporation.

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

(d) Employee future benefits

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

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

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

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

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

(e) Share-based payments

Under IFRSs Groupe Aeroplan accrues the cost of employee stock options and performance share units over the vesting period using the graded method of amortization rather than the straight-line method, which was the Corporation's policy under previous Canadian GAAP. Furthermore, in accordance with IFRS, an estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate, whereas under previous Canadian GAAP forfeitures of awards were recognized as they occurred. As a result, the Corporation adjusted its expense to reflect this difference. The effect of the change in the case of stock options is an increase to contributed surplus and a reduction of retained earnings of \$0.6 million at the date of transition, and an increase in general and administrative expenses of \$0.4 million and \$1.8 million for the three months ended March 31, 2010 and for the year ended December 31, 2010, respectively.

The effect of the change for PSUs is a reduction in accrued liabilities and increase in retained earnings of \$13,000 at the date of transition and a decrease to general and administrative expenses of \$41,000 and \$0.7 million for the three months ended March 31, 2010 and year ended December 31, 2010, respectively.

(f) Foreign currency translation exemption

In accordance with IFRS 1, Groupe Aeroplan has elected to eliminate all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations amounting to \$47.0 million at the date of transition under previous Canadian GAAP with a corresponding decrease to retained earnings.

(g) Reclassification within statement operations

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

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

(h) Provisions

Groupe Aeroplan reclassified amounts previously recorded in accounts payable and liabilities related to the VAT Litigation (*Note 9*) as a provision, given that it has been determined to be a liability of uncertain timing or amount.

(i) Income tax

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

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

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

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

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

	Note	January 1, 2010	March 31, 2010	December 31, 2010
		\$	\$	\$
Revenue recognition	(a)	21,851	22,868	24,209
Business combinations	(b)	6,500	-	-
Employee future benefits	(d)	4,926	4,969	5,100
Deferred income taxes		(89,658)	(88,761)	(86,068)
Increase in deferred tax liability		(56,381)	(60,924)	(56,759)

The effect on the statement of operations for the three month period ended March 31, 2010 and the year ended December 31, 2010 was to decrease the previously reported tax expense for the period by \$1.7 million and \$5.5 million, respectively.

(j) Retained earnings

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

	Note	January 1, 2010	March 31, 2010	December 31, 2010
		\$	\$	\$
Revenue recognition	(a)	(72,150)	(71,335)	(70,987)
Business combinations	(b)	(31,130)	(29,066)	-
Post-employment employee benefits	(d)	(18,844)	(19,011)	(19,510)
Share-based payments	(e)	(602)	(971)	(1,789)
Foreign currency translation exemption	(f)	(46,962)	(48,647)	(47,232)
Income taxes	(i)	(62,881)	(60,924)	(56,759)
Non-controlling interest	(c)	(2,729)	(2,083)	(2,724)
Decrease in retained earnings		(235,298)	(232,037)	(199,001)